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the economic situation in the country. The government has been unable to meet its financial obligations and has had to rely on foreign loans to finance its budget deficit. This has led to a significant increase in the national debt, which is now one of the highest in the world. The government has also been unable to control inflation, which has reached record levels in recent years. This has led to a significant decrease in the purchasing power of the local currency, which has lost much of its value against other currencies. The government has also been unable to control the price of basic necessities, such as food and fuel, which have risen sharply in recent years. This has led to widespread poverty and hardship among the population, particularly in rural areas. The government has also been unable to control the price of basic necessities, such as food and fuel, which have risen sharply in recent years. This has led to widespread poverty and hardship among the population, particularly in rural areas.

## *Broader Economic Perspectives of Urban Housing*

K. V. CHITHARANJAN

A CRUCIAL issue in urban planning in coming years will be to plan for employment and income for the expanding labour force in our cities. In a supply-elastic demand constraint labour market of Indian cities, hardly an attempt has been made to incorporate employment programmes in the city development plans. The intent of this paper is to understand the nature of city-employment structure and to recognize the need for employment planning, especially for the urban poor. In doing so major emphasis has been placed on housing as an economic sector and its direct income and employment generating capacities, which will have a significant impact on the poor, than on those who consider house as a built structure and a living space. The paper is organised in three parts. The first part deals with the urban employment characteristics while the second part treats housing as a major economic sector. A rudimentary idea of the economic implications of housing is given in the third part, drawing upon Gujarat data.

### URBAN EMPLOYMENT CHARACTERISTICS

Unlike the developed economies of today where transition was a gradual and orderly process from a traditional agricultural society to a modern industrial one, and to a society with higher order of services, the presently developing economies experience a shift of labour force directly from agriculture to the tertiary sector. This distinct phenomenon observed in presently developing countries makes the process of transition less comparable with that of developed countries of today. A distinction could also be drawn with respect to the dualistic nature of developing economies with a rural subsistence economy predominantly based on agriculture and an urban market economy predominantly based on industries. In a neo-classical framework it is but natural for the labour to move from a low productive agriculture sector to the high productive industrial sector till the regional factor

prices are equalised. Probably the neo-classical framework offers one of the simplistic explanations towards rural-urban migration. Socially the process is deemed to be beneficial in a labour abundant predominantly agriculture society as it helps capital formation by relieving agriculture sector of the pressure of disguised unemployment and productively utilising the released labour in modern industrial sector.

However, such theoretical assumptions have to be qualified in the light of the prevailing situation. Our cities are characterised by perpetuating unemployment, a result of ever expanding labour force and lack of employment opportunities in urban areas. On the supply side, the phenomenon of surplus labour could be explained by natural growth of city and migration from rural areas while on the demand side, inability of urban economy to absorb the expanding labour force and non-availability of job opportunities in rural areas work. This leads to a hypothesis that urban unemployment is a spill over of rural unemployment and any policy that intends to alleviate urban poverty should simultaneously give adequate weightage to policies for eliminating rural poverty also. However, policy prescriptions are bound to differ widely for urban and rural areas. In a predominantly agricultural economy like ours, rural employment policies may lean on to agricultural sector while urban employment policies may be more industry biased.

Since employment depends upon investment and investment in turn is determined by marginal efficiency of capital, it stands to reason that industrial investment will find its way into large cities where the firms can take advantage of urbanisation economies. Depending upon the inter-industry and intra-industry linkages, firms will cluster together in a given geographical space resulting in locational economies which further attract industrial activities into the urban centres. Thus industries could generally be identified as an urban phenomenon.

However, the employment generating capacity of large scale industrial sector has not been very impressive. There are signs of growing gap between incremental labour force and employment opportunities in large scale industrial sector over time in urban areas. In the process of adjustment, the labour force finds alternatives of getting absorbed in the urban employment structure by self-employment. This has led to the emergence of the definitional distinction between an organised protected labour market usually termed as formal sector and an unorganised unprotected labour market termed as informal sector. Today informal sector has emerged as a vital segment of the employment structure of large cities in India.

Informal sector by definition is characterised by low skill, low wages, smallness of scale of operation and easy entry as compared to the formal sector. There is a growing body of literature on the origin

and the characteristics of informal sector which has given controversies and compromises on issues related to its residual nature, linkages, productivity, wages, organisation, etc. However, the studies that attempted to estimate significance of the two sectors in the total employment structure of cities in India can be considered as a first approximation for measuring the magnitude of informal sector in urban economies. Thus the share of informal sector in the total employment structure showed 45 per cent in Bombay (Joshi and Joshi 1976), 50 per cent in Calcutta (Bose 1978), 50 per cent in Madras (ORG 1978), 50 per cent in Ahmedabad (Mehta 1982) and 65 per cent in Bangalore (Swami 1983). Although these figures are not strictly comparable for lack of definitional uniformity, they indicate the order of the magnitude of informal sector in the metropolitan cities of India. Moreover, the available evidences tend to suggest that the large majority of labour force that constitute informal sector in the cities hail from the lower strata of the society. Thus the informal sector can be considered responding to the employment needs of the vulnerable sections and also acts as an employment care taker where the formal sector fails. Now, it is for the planners to recognise informal sector as an integral part of the urban economy and also to accommodate its spatial implications in the city development plans. The city development plans are prepared in the conventional framework of the 'improvement trust' as existed in the British period and provides little room for incorporating changing needs of an urban system. The development plans revolve mainly around land use specifications taking clues from the past growth trend of the city. The planners seldom realise the significance of employment planning in a comprehensive developmental framework and its influence on spatial arrangements of the internal structure of a city. Thus, development plans have been partial and need serious changes at both conceptual and application levels.

#### HOUSING—BROADER PERSPECTIVES

Housing is a consumption good, a consumer durable and, of late, it has been recognised as a composite good that provides a heterogeneous mix of services. Housing is not living space alone, but encompasses a bundle of services which determine its value. There are three major aspects of housing : (1) intrinsic characteristics (include design, density, building materials used, etc.), (2) services and neighbourhood facilities, and (3) work-home relationship. These aspects alongwith the capacity of an individual to pay for it determines individual choice for housing. For some, housing is treated as a final consumption good, a status and an investment; for some others, it can be a source of employment, security and right.

Housing has multifaceted economic and social characteristics. It represents some 15 per cent to 20 per cent of household expenditures and it is the major focus of saving for all but high-income families. It is increasingly recognised as a profitable investment item yielding a flow of income. For some households, it is also a place of business. Moreover, it is spatially fixed, making its locations relative to jobs, transport networks and public services as much a part of its essence as the materials used in its construction. Housing also has social benefits. An inadequate dwelling, absence of water and sewerage facilities, or lack of access to income earning opportunities, contribute to low family incomes, poor health, and a low ability to absorb education. (World Bank, 1975)

Housing as a domain of some individual disciplines has to give way to a field to be studied, analysed and appraised in a multi-disciplinary framework. This demands new ways of looking at housing sector and will open up new areas of research to make it more meaningful and suitable for developing societies. In a broader framework, housing could be approached from three angles :

1. As a basic need,
2. As a welfare good, and
3. As an economic sector.

#### *Housing as a Basic Need*

Housing occupies second position in the order of preferences of basic needs. If this basic need is linked up with the basic right of humanity to own a house, then the process of housing supply needs to be reviewed. The question is who supplies housing to whom. The agencies participating in the supply process may be divided broadly into public agencies and private agencies. Public agencies include housing board, slum clearance board, local authorities and centre and state governments. The role of centre and state governments in housing is restricted to the demand for housing by specific groups (employees) and could be treated as a separate category. However, housing for government employees can indirectly influence the housing market situations. A second category of agencies actively participating in house building activities are the private agencies. They include : (1) private-builder-developer. (2) individual owner-builder and (3) cooperative housing societies.

The involvement of public agencies in house construction activities is justified on the grounds of welfare measures owing to the acute shortage of housing and the failure of private market mechanism to meet the growing need for housing. Thus housing is no more considered

as a phenomenon to be dictated by the 'invisible hand' in a private market rather conscious efforts should be made in a welfare state to meet the growing requirement of a basic need of people, specially, for those left out by free play of the market forces. This awareness reiterates house as a basic right of humanity and the need to realise growth with equity rather than emphasising growth by itself.

#### *Housing as a Welfare Good*

The role of housing in improving health has been a core belief while designing strategies for housing. Implications of housing do not confine to the living conditions alone but stretches further to the human capital formation. Sub-standard housing leads to health hazards which ultimately results in a cyclical effect of poor quality of manpower, lower earnings, lack of saving and poor housing. However, shelter *per se* is of less significance unless supported by clean water supply, sanitation, preventive medicine and, above all, good diet in directly improving the quality of manpower. Good housing has been also linked up with lower juvenile delinquency, reduced alcoholism, etc.

#### *Housing as an Economic Sector*

A familiar way of looking at housing is to view it in macro-economic terms as the largest element in the construction sector. Its direct impact in the economy could be manifested through the demand for labour, materials and other inputs while the indirect impact will be through the multiplier operating in the related sectors. At a micro scale, studies have been done to understand the nature and process of housing and behaviour of households while very little has been done to utilize housing construction sector as part of economic development strategy.

Housing is a major stimulus to savings and investment, especially for the economically weaker sections. In the absence of regulated financial support to the poor to enter housing construction, whatever little shelter these masses build will be based on the savings generated from their meagre income. The concept of 'self-help' housing has emerged out of the growing recognition that it is a way to draw out and mobilize otherwise under utilised small scale savings and labour. However, a wider coverage for the concept has to be promoted through conscious decisions and result oriented planning.

Housing is also considered as an indirect contributor to income and production. This approach recognises the view that good housing can lead to better health and quality of human capital which ultimately is realised through increased earning capacity of labour. As a direct contributor to income and production, housing provides employment to many in the housing construction and material manufacturing

activities. Rough estimates show around 25 per cent of the cost of housing accounts for labour cost in construction activities. It also supports a large segment of small scale manufacturing sector involved in brick manufacturing.

Although brick manufacturing is a seasonal job spread over a period of five months a year, its contribution to employment has been substantial. Its value added per worker works out to Rs. 1,100 which is higher than the largest industry of Gujarat, *i.e.*, cotton textiles. The significance of housing as an economic sector lies in its ability to provide jobs and income to the poor sections of the labour force. This will be of critical importance for the already under-employed urban labour force of Indian cities.

The economic implications of housing do not confine to its construction alone but a clear picture could emerge by looking at the various uses the house is put to. Today, residential use explains only a part (although it is the major part) of the various functions of house. Other than residential use, house has been used as a place of production and a place of commercial enterprise where mainly the family members get involved. Whether such a tendency of the occupants needs to be encouraged or discouraged is not within the scope of this paper. However, this indicates the growing small scale enterprises cropping up especially in urban areas, largely falling in the category of urban informal sector.

#### BROADER ECONOMIC PERSPECTIVES OF HOUSING

A study that looks at housing as a major economic sector with substantial potential for employment and income generation should start with a diagnosis of the available housing stock at a given point in time. Such an approach will provide the basis for estimating the magnitude of economic implications of housing. A rudimentary idea can be attained by looking at the census figures (Census of India, 1981) of number of houses and their uses, in Gujarat.

The census houses could be divided into five major categories based on the uses : (a) residential use, (b) residential mix use, (c) economic use, (d) social use, and (e) other use. The residential use specifies houses exclusively for living purposes. The residential mix indicates houses used predominantly for living but non-residential activities are carried out along with residential use. The economic use refers to those houses being used as hotels and restaurants, shops, business offices, factories and workshops. The social use is related to entertainment, community gathering and places of worship. Other use is the houses used for any purposes other than mentioned above. Some related figures in Gujarat could be mentioned in order to derive definite

conclusions.

Table 1 shows the available housing stock in Gujarat for 1971 and 1981. Out of the total housing stock around 90 per cent of the houses were available for use while the remaining houses were vacant in both the time periods.

TABLE 1 HOUSING STOCK IN GUJARAT

	Total Percentage			Rural Percentage			Urban Percentage		
	1971	1981	Change	1971	1981	Change	1971	1981	Change
Total no. of census houses	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Census houses vacant	10.26	10.43	0.17	9.90	9.95	0.05	11.18	11.47	0.29
Occupied houses	89.74	89.57	-0.17	90.10	90.05	-0.05	88.82	88.53	-0.29

SOURCE: *Census of India, 1981, Series 5, Gujarat, Tables of Houses and Disabled Population.*

The ratio of vacant house to total houses has increased both on absolute and relative terms in 1981 over 1971. The most striking feature was the larger proportion of vacant houses in the urban areas and the phenomenal increase of vacancy rates in the seventies. The vacancy rates were higher in urban areas as compared to rural areas both in 1971 and 1981. It is plausible that housing is considered as a profitable investment in urban areas that provides adequate room for speculation. In the case of vacancy rates in rural areas, a large part could be explained in terms of migration. However, in the wake of an acute housing shortage, especially in the urban areas, it is paradoxical to note much large vacancy rates. Thus when one looks at the 'effective' housing stock, the magnitude of housing shortage seems to be more than anticipated.

Within the 'effective' housing stock, it is possible to identify the different uses. Again, relying on census figures on housing the five categories of uses may be identified (Table 2). The residential use in Gujarat accounts for 74 per cent of the houses in 1971 which registered a decline by 4 per cent in 1981. The difference was distributed over non-residential uses of house. In rural-urban break-up of the residential use, it has been observed that the rural residential houses recorded larger decline of more than 5 per cent in the seventies while that in urban areas registered a marginal decline of 0.7 per cent only.

Among the non-residential uses, the category of other uses predominated in the rural areas with the largest percentage shares (20% and 25% in 1971 and 1981, respectively) and percentage change in the seventies. A different picture emerges while the non-residential uses in the urban areas are taken into account. The predominant non-residential use was the category of economic use (13% and 14% in 1971 and 1981, respectively) with the largest percentage change in the seventies. This phenomenon attests the hypothesis of an expanding urban informal sector in the cities. It also signifies the increasing importance of houses in order to carry out economic activities. It is also illustrative of the significance of house as a source of income and employment generation.

TABLE 2 HOUSES BY CATEGORY OF USE (IN PERCENTAGE)

Category of use	Total			Rural			Urban		
	1971	1981	Change	1971	1981	Change	1971	1981	Change
Residential	74.10	70.23	-3.87	73.22	67.77	-5.45	76.37	75.65	-0.72
Residential mix	1.95	2.00	0.05	2.00	2.05	0.05	1.79	1.87	0.08
Economic	6.00	6.55	0.55	3.50	3.35	-0.15	12.49	13.59	1.10
Social	1.38	1.37	-0.01	1.50	1.60	0.10	1.09	0.88	-0.27
Others	16.57	19.85	3.28	19.80	25.23	5.43	8.26	8.01	-0.25
Total occupied houses	100.00	100.00		100.00	100.00		100.00	100.00	

SOURCE : As given in Table 1.

Apart from the direct economic activities carried out in house (shops, restaurants, factories, etc.), it is also looked upon as a source of regular income and a fixed asset. For those with savings, housing provides promising opportunities for investments and returns while for most of the urban poor, it will be the only significant tangible asset available to be used as financial security. Housing has also larger implications in terms of accelerating the process of getting into the urban economy.

#### CONCLUSIONS AND POLICY IMPLICATIONS

The central thesis of the paper is the plea to recognize housing as an economic sector and to devise policy measures for tapping the income and employment generating potentialities of housing sector. The paper also stresses the view point that housing strategies could help resolve the ambiguities associated with the labour absorption

capacities. This approach presupposes related policy analysis, practice and research evidence.

The urban employment characteristics denote the structural dualism prevailing in cities and also urges the need to incorporate employment programmes/policies in the city development plans. The city development plans need to be oriented towards a comprehensive approach rather than a piecemeal approach. It has to undergo serious recognitions at both conceptual and practical levels. Plans should not super impose straight jacketed framework in order to fit in the urban activities within its realms rather they should be flexible enough to incorporate the changing needs of an urban society.

The economic perspectives consider house not as a space for living alone but also as the multifaceted functions embodied in its uses. A house is a production place, marketing centre, entertainment centre, workshop place and also a shelter. The need to accommodate non-residential activities in houses demands explicit changes in policies. House is a shelter; but for many the distinction between the basic needs becomes blurred. For them house is a shelter and a means of livelihood too. Housing policies should emphasise the importance of inter-relationships with employment and income generation.

There is a need for empirical research in order to bring out the inter-relationships between the process of housing and the development of economic activity in the low income countries. Such research evidences should be directly incorporated while planning for cities. Here the role of planners is indispensable. And this calls for a new approach to urban planning exercises. Understanding the phenomenon does not bring about change; but change seldom occurs without it. □

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# *Population Size and Informal Sector : An Exploratory Study of South Indian Cities*

K. BALASUBRAMANIAN  
P.L.N. RAJU

THE CITY-SIZE informal sector relationship lacks an adequate data base support, so much so that the theoretical structure has been dominated by multifaceted hypothetical dimensions. The controversies in the theoretical output are still impressionistic in nature. In spite of its vast policy implications, not much attention has been focussed on establishing a strong empirical base, especially in India. Hence, the present study makes an attempt to substantiate the theoretical relationship between city size and informal sector with the help of Indian census data.

## OPERATIONAL DEFINITIONS OF INFORMAL SECTOR

The concept of informal sector was evolved in socio-anthropological studies during 1950's (Hart, 1973). The dualistic model of labour market, formal and informal, was 'formally' recognised by the ILO study in Kenya (ILO, 1972 : 6), where informal sector was defined as : "Informal activities are not confined to employment on the periphery of the main towns, to particular occupation or even to economic activities. Rather, informal activities are the way of doing things characterised by :

- (a) easy entry;
- (b) reliance of indigenous resources;
- (c) family ownership of enterprise;
- (d) small scale of operation;
- (e) labour intensive and adopted technology;
- (f) skills acquired at the formal school system; and
- (g) unregulated and competitive market.

Informal sector activities are largely ignored, rarely supported, often

regulated and sometimes actively discouraged by the government."

Reynolds (1969 : 91) views this sector as the "multitude of people whom one sees thronging the city streets, side walks and back alleys in the less developed countries. The petty traders, street vendors, coolies and porters, small artisans, messengers, barbers, shoeshine boys and personal servants". But attributing IFS (Informal Sector) solely to under-developed and developing nations has been questioned by authors like Bawley (1982), Tanzi (1982), Richardson (1984), etc., who point out that even a developed country like USA has substantial informal sector. Souza and Tokman (1976 : 355) characterise, "all workers/or enterprise in unorganised activities that use simple technological processes, and either work in competitive markets or at the base of economic structure featured by concentrated oligopoly" as IFS. Schaefer (1976), Sabot (1979), and Kundu and Mathur (1984) recognise informal sector in terms of structural differences in the wage determination mechanisms. Sethuraman (1976 : 126) defines IFS as "(a) all unregistered commercial enterprises; and (b) all non-commercial enterprises that have no formal structure in terms of organisation".

Most of the above definitions have their own conceptual problems and may suit a particular context, within the framework of a micro-study. But these definitions clearly pose a problem for a macro-level study, since it is difficult to derive IFS based on the above definitions from the secondary sources. The major secondary data sources available in India are the Indian census which have decadal data and any macro-level study in India using the census data should adopt a definition which could be derived from the census itself.

Papola (1981 : 111) while identifying the structure of IFS in Ahmedabad city feels that the concept of IFS "does not have an independent meaning since it derives meaning only when contrasted with formal sector". He empirically defines IFS in terms of small establishments employing less than ten workers and independent workers. He accepts that the above definition does not reflect other characteristics of an IFS such as capital intensity, scale of production, turn-over, productivity and surplus generation, etc. Papola's definition of IFS approaches the problem on the basis of employment and not on production units and also lacks information about persons engaged in activities on an independent basis and casual labourers. In addition to the secondary sources such as Census of India, Papola (1981 : 25) conducted a primary sample survey in the city of Ahmedabad to identify the distribution of unattached workers and workers casually employed by formal sector establishments, those employed casually by households and the independent workers.

Heather and Joshi (1976) using Census data for the city of Bombay considered single worker, family workers, workers in household

industry, cultivators and agricultural labourers as 'unorganised sector'. They also added the employees in non-household industries employing less than 25 persons to the "unorganised sector".

Aziz (1984) also uses the size criterion in defining the informal sector in his study of Bangalore city. According to him, "Establishments employing less than ten workers irrespective of the use or otherwise of power are regarded to be those coming under the informal sector...". He further differentiates IFS as organised (those having formal relationship with the state, in the sense of having taken out licences and subject to state regulations, such categories as : (a) electricity, gas, water supply, (b) hotels and restaurants, (c) transport and storage, (d) financing, insurance, real estate and business institutions, (e) health, medical and educational institutions), and 'unorganised' which do not have any formal relationship with the state.

#### CITY SIZE AND INFORMAL SECTOR : AN OVERVIEW OF CURRENT THEORIES

City size has been considered as one of the important variables in determining urban growth, employment, income, etc. Most of the micro-level studies of IFS have been done in large and primate cities (ILO, 1977, Mathur and Moser, 1984). The conclusions arrived at from the above studies do not throw much light on the relationship between city size and informal sector. Also since these microlevel studies adopted different definitions of IFS, a comparative analysis becomes difficult. As said earlier, the theoretical approaches in this connection are impressionistic in nature. One school of thought believes that informal sector employment tends to decline with increasing city-size. (Salah-El-Shaks, Richardson). According to this school with an increase in the city's size, city's function becomes more complex, and the share of the labour force in manufacturing, managerial and professional occupations tend to increase. With the development of cities, informal sector activities are substituted by formal sector. Richardson points that if formal sector activities are concentrated in the primate city, logically it follows that the proportion of informal sector to the total employment must be higher in other parts of national urban system. He argues that (Richardson, 1984 : 23-4) "while the IFS is very important in the economic structure of primate cities in the developing countries, its contribution to the economic base of secondary, intermediate and small cities (as measured by its share in total employment) is probably even more significant". He feels that IFS promotion strategies may be the key determinant for the promotion of economic development of smaller cities and peripheral regions in developing countries. Kull's (1984) study on the cities of

Ivory Coast, is the only data based study which shows an inverse relationship between city size and informal sector. This study also points out that an increase in the city size leads to diversification of secondary and tertiary employment. Though the study covered thirty eight urban centres in different size categories, with a population of 1.9 million, Kull himself admits that the data base used in the study is not strong enough to draw any general conclusions. He feels that the above relationship may promote a 'dangerous' assumption "that existing problems of informal employment and informal activities in small cities solve themselves on a long-term basis or that they can be solved by an accelerated growth in size of city". Hence he recommends more extensive research in this field before drawing any conclusions.

The other school of thought (Kundu and Mathur, 1984) using the framework of the Edgeworthian primary contracts or coalitions model postulates a positive correlation between city size and the informal sector. This school argues that due to sizeable 'autonomous' and 'consumption' demands larger cities generate healthy conditions for the informal sector to expand substantially. Also due to technological transformation, which occurs at a rapid rate in large urban centres the 'obsolete' technologies which leave considerable levels of unemployment can be effectively used by the informal sector. Further, since the average income and level of amenities (public goods) in larger cities are higher than in the smaller cities, informal sector activities would be higher in larger cities. Jos Hilhorst (1984) opines that the relationship between city-size and informal sector depends on the definitions of city size. He finds a positive correlation, if city-size is defined in terms of total labour supply. He uses an export-base model to demonstrate the above point.

Also, one cannot ignore the possibility of lack of any relationship between city-size and informal sector. Hilhorst shows that if city-size is defined in terms of income, there exists no relationship between them. Apart from city-size, other factors like city function at the local, regional, national and international levels, type of industrialisation, regional resources, socio-political factors, etc., can also play a major role in determining the structure of informal sector. In fact, most of the above mentioned theories have overlooked the functional aspects of the cities, and their relationship with the informal sector. Though Shakhs (1984) refers to the above-mentioned point still there is a lack of any hypothetical relationship between city function and informal sector.

#### DATA BASE AND METHOD OF ESTIMATION OF RELATIONSHIPS

The only source of data available to us, given the magnitude required for our study, is the various publications of the Registrar

General of Census pertaining to the 1971 Census of India. The data are available in the form of different types of establishments like non-household manufacturing, household manufacturing and other trade and commercial establishments by number of employees in each. For our purpose, following some other studies conducted in India (Papola, 1981, Aziz, 1984), we have defined informal sector as comprising of all such establishments with an employment of 10 or less workers, including single employee establishments. Since agriculture cannot be considered to be an urban employment generative occupation, we have excluded it from our definition of informal sector.

The data base is limited to one lakh and above towns, once again due to non-availability of data for towns smaller than that. Thus whether smaller towns (if they are defined as less than one lakh towns) play an important role in absorbing the migrating labour force from the rural to urban areas cannot be answered by our study. The size class based sample puts another limitation on our study in that we cannot conclusively comment on the relationship between urbanization and growth of informal sector because in the Indian context the definition of 'urban' is only partly dependent on the population of any particular town. A look into the Census classification of towns will reveal that urban areas in terms of their population can have population of even below 5,000. Our analysis of city size and informal sector can be further vitiated if the growth of smaller towns (say those below 1 lakh population) is faster than the larger towns. But despite these limitations our study may throw some new light on the city size-informal sector relationship since on an average the share of large town population to the total urban population in southern Indian states during 1971 was approximately 40 per cent.

We have incorporated in our study all the towns of one lakh and above population in South India except for capital cities of the states of Andhra Pradesh, Karnataka and Tamil Nadu. This has been done for two reasons. Firstly, all the three cities have a population of 10 lakh and above and form a separate class altogether vis-a-vis the other towns in terms of the functions performed by them. Most of these towns are service oriented with a substantial proportion of the work force being administrative personnel. Due to their specialised administrative function and also largeness in size (with population being the criterion) they have proved to be misbehaving or odd when plotted on a scatter. Inclusion of these towns in our sample will seriously distort the relationship between city size and informal sector that emerges from our study. A separate analysis is not feasible since the sample will be too small. Secondly, in terms of infrastructural costs they (the sample towns) are supposed to exhibit similar characteristics and thus may be amenable for certain conclusions to be drawn on their economic

role in urban development (Stanford Research Institute, 1968).

To understand the impact of the nature of function performed by a city on the size of the informal sector we have classified the towns into 3 categories, namely, industrial, specialised in commercial and multifunctional. This classification is based on the census data on the number of workers employed in the three main sectors—manufacturing, services and trade and commerce. Our definition of these towns though based on Census data is different from the Census classification. As per the census classification for any town to be a specialised town in any function (say manufacture) a minimum of 60 per cent of its work force should be employed in that sector. In such cases as when the work force employed in two sectors say, Industry and Services works out to be 60 per cent of the total work force then that town will be termed as bifuncional. Towns which do not come under either of these categories will be considered as multifunctional towns. But for a town to be considered as specialised in any particular function, we should in fact compare it with other similar towns and not merely take into account the absolute magnitudes of employment limited to that town/city. The census classification based on the 60 per cent norm is arbitrary. This functional specialization across similar towns can be highlighted by ordering the towns by the proportion of employees to total work force by the function in which we want to identify the specialized towns and picking up only those towns which have a ratio of at least one standard deviation and more above the mean employment in that particular function across the towns. For our purpose we have developed three data series. The first is for Manufacture or Industrial cities. The second is that of Services and Trade and Commerce cities (Commercial cities). We do not make any distinction between these two types of towns on the assumption that the informal sector is more or less similarly related to population in Service and Trade and Commerce specialised towns. The criterion of selection of specialised towns in these functions is the same as the one applied in the case of industrial towns. All those towns which do not satisfy the conditions for specialisation in either Industry, Services and Trade and Commerce will be called multi-functional towns. Table 1 gives the necessary data on which we have based our classification.

Another problem involved in Census data is that there may be an under-count of the size of the informal sector either due to definitional problems or due to the mere impossibility of taking a physical count of all the informal sector employees, e.g., housemaids, rag pickers, etc. An additional problem with the definition adopted by us is that some of the establishments employing less than 10 workers may be organized and have some formal relation with the government, say in the areas of hotels, financial organisations, etc. Inclusion of these establishments

in the operational definition depends on the view taken as to their organisational characteristics. We are of the opinion that even such establishments will fall under informal sector only.

The relationship between informal sector on one hand, and the city size on the other, has been analysed in terms of correlation coefficients and linear regressions. The results have been provided in Table 2.

Besides the test of association through correlation coefficients, we have also tried to estimate the causality between city size and informal sector. Though the regression coefficients have the negative signs most of the regression coefficients as well as the overall fits of the regressions are not significant at either 5 or 10 per cent. In three of the equations, the growth rate of population between 1961 and 1971 significantly inversely determines the size of the informal sector in 1971. Population by itself is significant only in the case of multi-functional towns at a reasonable level of significance. This means that the causal relationship between city-size and informal sector is deterministic only in the case of multi-functional cities. In other words if over a period of time the population grows, we can expect the relative size of the informal sector to decline.

#### POPULATION AND INFORMAL SECTOR

Table 2 shows that population size and the informal sector are inversely related (significant at 15 per cent level). In other words, the South Indian cities with larger population have smaller proportion of IFS. As Salah El Shaks (1984 : 78) argues that the simpler, more traditional economies of the small cities are dominated by informal sector and as (by implication) the results in Table 2 show, the cities of South India are not an exception to it. El Shaks is right when he opines that smaller cities which are closer to rural hinterland, attract the unskilled, uneducated rural migrants into the simple, traditional economy where community ties, kinship, extended family, etc., perform the function, which normally the formal sector does in a complex economy. Also, the smaller cities are normally 'service' cities for the agriculture and related sectors and agricultural activities are positively related with informal sector (Beals, 1975). In fact, most of the hypothetical arguments have overlooked the above mentioned points. Though attempts have been made to relate the formal and informal sector, in terms of manufacturing trade service, etc., not much attention has been paid to relate the rural hinterlands agriculture and informal sector activities of smaller cities. While emphasising the relation between smaller cities and IFS, Richardson (1984 : 30) says, "while the IFS is very important in the economic structure of primate cities in developing countries, its contribution to the economic base of

TABLE 1 PROPORTION OF WORKERS IN DIFFERENT SECTORS

Sl. No.	Town	<i>Proportion of workers by function to total workers</i>		
		Industry	Trade and Commerce	Services
(1)	(2)	(3)	(4)	(5)
1.	Kanchipuram	58*	22	17
2.	Vellore	36	33*	20
3.	Salem	60*	24	12
4.	Tiruppur	72*	15	9
5.	Coimbatore	35	33*	17
6.	Singanallur	78*	11	10
7.	Dindigul	44	34*	14
8.	Madurai	38	33*	20
9.	Tiruchirapalli	37	33*	20
10.	Kumbakonam	48	30	15
11.	Thanjavur	25	28	37*
12.	Tuticorin	29	35*	24
13.	Tirunelveli	36	40*	13
14.	Nagarcoil	48	25	22
15.	Calicut	34	29	29
16.	Cochin	26	25	33*
17.	Allepyp	36	26	31
18.	Quilon	32	27	27
19.	Trivandrum	19	20	50*
20.	Vizag	41	16	26
21.	Kakinada	29	29	33*
22.	Rajahmundry	44	33*	17
23.	Eluru	37	25	30
24.	Machilipatnam	36	23	30
25.	Vijayawada	25	37*	24
26.	Guntur	48	23	22
27.	Nellore	46	34*	33*
28.	Kurnool	40	24	29
29.	Secunderabad	13	25	16
30.	Nizambad	49	22	24
31.	Warangal	38	23	30
32.	Gulbarga	15	36*	40*
33.	Mysore	35	30	25
34.	Mangalore	42	25	23
35.	Belgaum	41	31	23
36.	Bellary	28	25	37*
37.	Bijapur	32	35*	26

(Cont. on next page)

(Cont. from previous page)

(1)	(2)	(3)	(4)	(5)
38. Davangere		53*	31	12
39. Hubli-Dharwad		37	22	31
	X	38.97	27.49	
	SD	13.21	6.29	

NOTE : 1. Totals do not add up to 100 since we have taken into account only four out of the ten Census workers' categories. The NIC code for the categories is as follows:

Industry—2 and 3

Trade and Commerce—6

Services—9.

2. Specialised towns have been indicated by the\* sign. They have been identified as those with the proportion of workers in that particular category one standard deviation and more above the mean.
3. Towns specialising in either trade and commerce or services are called commercial towns. Thus any town specialising in both Trade and Commerce Services will be called a specialised Commercial Town on par with towns specialising in either of the two functions. On this criterion we have identified 17 specialised commercial towns.
4. Towns not specialising in any of the three functions are called as the multifunctional towns. There are 17 such towns in our study.

TABLE 2 RELATIONSHIP BETWEEN POPULATION AND INFORMAL SECTOR IN THE VARIOUS TOWNS

Classifications of Towns	Variable	Functional form	r	b <sub>1</sub>	R <sup>2</sup>	F (df)	n
1. All Towns	1.1 Y, X <sub>1</sub>	Y = f (X <sub>1</sub> )	(-) 0.23 <sup>3</sup>	(-) 0.021	0.05	2.066	39
	1.2 Y, X <sub>2</sub>	Y = f (X <sub>2</sub> )	(-) 0.53 <sup>1</sup>	(-) 0.38 <sup>1</sup>	0.28	14.62 <sup>1</sup>	39
	2.1 Y, X <sub>1</sub>	Y = f (X <sub>1</sub> )	0.44	0.10	0.19	0.709	5
2 Industrial Towns	2.2 Y, X <sub>2</sub>	Y = f (X <sub>2</sub> )	(-) 0.98 <sup>1</sup>	(-) 0.92 <sup>1</sup>	0.95	59.79 <sup>1</sup>	5
	3.1 Y, X <sub>1</sub>	Y = f (X <sub>1</sub> )	(-) 0.36 <sup>4</sup>	(-) 0.02	0.12	2.17	17
3. Commercial Towns	3.2 Y, X <sub>2</sub>	Y = f (X <sub>2</sub> )	(-) 0.73 <sup>1</sup>		0.39 <sup>1</sup>	0.53	17
	4.1 Y, X <sub>1</sub>	Y = f (X <sub>1</sub> )	(-) 0.51 <sup>2</sup>	(-) 0.05 <sup>2</sup>	0.26	5.38 <sup>2</sup>	17
4. Multifunctional Towns	4.2 Y, X <sub>2</sub>	Y = f (X <sub>2</sub> )	(-) 0.32	(-) 0.21	0.10	1.72	17

1. Significant at 1 Per cent

2. Significant at 5 Per cent

3. Significant at 15 Per cent

4. Significant at 20 Per cent

Y = Proportion of Informal Sector to the Total Work Force of the Town

X<sub>1</sub> = Population of the Town

X<sub>2</sub> = Growth rate of Population of the Town between 1961 and 1971

secondary, intermediate and small cities (as measured by its share in total employment) is probably even more significant". He further points out, "... field trips to intermediate cities in a variety of developing countries, reveal a larger number of informal sector enterprises and activities and a scarcity, in some cases a virtual absence of formal sector establishment. Directories of firms and partial surveys of employment in urban areas (and provinces) confirm the overwhelming dominance of very small firms and the presence of activities that figure prominently in the informal sector, such as maintenance and repair services".

#### CITY FUNCTION AND INFORMAL SECTOR

Apart from the population size and its inverse relationship with IFS, a further classification of cities in terms of their function may provide further insights into the above said relationship. Salah El Shaks (1984 : 79) opines that the contribution of informal sector could be influenced by variations in the role and functions of the cities. Papola (1981 : 33) also says, "Even though the informal component is generally found sizeable in most of the urban areas in developing economies, its relative size differs among towns and cities in accordance with the structure of activities and organizations". As Table 2 shows, when the cities are classified in terms of functions and correlated with IFS, interesting results arise, which substantiate the above arguments. One of the important findings which differ from the general pattern is that the population size of industrial cities is not negatively correlated with IFS (Though the positive correlation is insignificant), as in the case of commercial and multifunctional cities.

Papola (1981 : 33) opines that urban areas with manufacturing activities are likely to have a relatively smaller informal sector, while trade and craft based areas are likely to have a relatively large informal sector. On the other hand, Kundu and Mathur (1984) argue that larger cities would have more IFS. While commercial and multifunctional cities differ inversely with IFS, industrial cities do not show a negative relation with IFS. As pointed out by Kundu and Mathur, this may be due to the reason that industrial cities with rapid technological innovations and modern production processes, render old technologies obsolete and redundant which are used by IFS whereas the commercial cities and multifunctional cities which are not as 'technology' oriented as industrial cities, may not undergo rapid transformation creating larger IFS. Also there exists a strong relationship between formal industrial sector and informal sector ( $r=0.44$ ). Birkbeck's (1979) study of garbage pickers in Cali, Columbia Harris (1982) study on the engineering industries of Coimbatore, India; Reichmuth's (1978) study

of clothing sector in Lima, Peru and Shmitz's (1979), Brazilian textile sector study show the subordination of informal sector to the needs of the large scale industries and the strong interdependence between FS and IFS. The above mentioned studies strongly repudiate the concept adopted by the ILO study (1972) which identifies the informal sector as an independent sector. Portes (1978) emphasises that formal capitalist enterprises encourage IFS in order to subsidise part of their cost. In Calcutta, Bose (1978) finds that market for small producers is controlled by large firms. The large industries of foot wear and clothing in Calcutta encourage IFS through subcontracting.

The manufacturing activities of informal sector which generally subsidises the formal industrial sector activities, have a high employment output ratio. Papola (1981 : 114) calculates that a turnover of Rs. 1 lakh generates employment for 1.5 workers in manufacturing, 0.18 in trade and 0.25 in services. Due to the higher employment output ratio, Papola feels that manufacturing establishments alone seem to be informal sector's hope for sustained growth. Also the industrial cities are bound to have casual workers whose labour market characteristics are different from those of the regular employees and more akin to the workers in the informal sector. Since it is difficult to estimate the number of casual workers from Census, the estimation of informal sector in industrial cities may be an under-estimation, 'hiding' substantial portion of informal sector.

Thus, as Moser (1984) mentions, IFS differs in very significant ways in a manufacturing town from that in one whose role is different from that of manufacturing. Kundu and Mathur (1984 : 84) admit that a "concentration of high valued formal industrial activities in large urban centres and a relatively higher growth rates of income, therein, would give a further boost to the informal economy". The correlation analysis in Table 2 clearly shows that unlike industrial cities, city size of commercial cities and multifunctional cities is inversely related with informal sector (significant at 20 per cent and 5 per cent respectively). The increasing functional complexity of the market and service economy may have substituted the informal sector activities with those of the formal sector. Caroline Moser (1984 : 165) believes that the distributive and service sector of informal sector may have lesser potential for evolutionary growth than those in the productive enterprises, since this sector remains in involuntary and residual in nature, because of easy of entry". Moser further points out that in developing countries, there is a large scale penetration of merchant capital into distribution and service sector, which has affected the IFS considerably. Hence, the commercial cities and multifunctional cities, may have a major share of formal sector with the increasing population, while industrial cities may encourage IFS for the efficient functioning

of their formal sector.

### GROWTH RATE AND INFORMAL SECTOR

The other interesting point which further substantiates the view of negative correlation between population and informal sector is the inverse relationship between growth rates of the cities and IFS. According to Table 2 there is a significant inverse relationship between growth rate and IFS, i. e., higher the growth rate lower the informal sector (significant at 1 per cent level). This indicates that migration, which is the major determinant of urban growth, affects formal sector, more than the informal sector. Mazumdar (1981) found out in his Malaysian studies that the new migrants were attracted more towards large and medium sized formal sector firms. Richardson (1984) points out the case of Tanzania and shows that most of the new migrants obtain work in the formal sector. Similarly, the faster growing cities of South India, might have attracted migrants more into the formal sector, especially in the specialized cities. Mazumdar hypothesises that the migration into larger cities is stage migration in nature and the migrants are able to seek jobs in the formal sector from their intermediate destination. He concludes that there is no evidence to show that the informal sector is the entry point for the migrants. Papola (1981) finds that in Ahmedabad, the IFS has as small proportion of migrants among its workers, than the formal sector. He points out that this phenomenon goes against the hypothesis that the IFS with its free entry condition and absorptive character tends to subsume most of the entrants.

This relationship becomes much more clear when cities are classified in terms of their function. Table 2 shows that all types of cities (industrial, commercial and multi-functional) exhibit negative relation between growth and informal sector. Growth rates of industrial and commercial cities are significantly related at 1 per cent level with IFS, whereas in case of multifunctional cities, though the relationship is insignificant, signwise it shows a negative relationship. Industrial cities in spite of the existence of a positive relationship between population size and IFS, exhibit a very high amount of inverse relationship between growth rate and IFS. It can be inferred from the above relationship that migrants into these cities are attracted more towards the formal industrial sector. Similarly, commercial cities and multi-functional cities exhibit an inverse relationship between growth rate and IFS, as in the case of population size and IFS. Besides the economic rational we have put forward in our discussion, it is true that factors like kinship, extended family, clan contacts, caste and village affinities, etc., play a major role in the formal sector employ-

ment pattern. Kannappan (1984: 59) says, "Available information indicates marked ethnic clusters in various trades and occupation including formal sector employment. Formal sector employer preferences along these lines are quite open or such results follow recruiting procedures adopted in newly industrialising areas". He refers to the cases of Bombay textile industries and Ahmedabad factory employment, to substantiate the role of the above mentioned sociological factors in providing jobs for new migrants in formal sector, especially in industries. These factors can be brought out only through a primary data based study. Since ours is a secondary data based study we are unable to comment on any of these important sociological variables with regard to the size and growth of informal sector in urban areas.

#### CONCLUSION

To conclude this short paper we will briefly summarize our findings and raise certain issues on various aspects relating to City Size-Informal Sector relationship which may be taken up for further study by other researchers in this field.

We have concentrated our analysis on two broad categories: (1) City size versus Informal Sector, and (2) Growth rate versus Informal Sector. Within the former category we have tried to bring out the relationship between the functions performed by particular towns and the role of informal sector. In general, both city size and growth rates are inversely related with informal sector except in the case of industrial towns where the relationship between city size and informal sector is not negative. In regression analysis indicates that the only growth rate is a significant variable in determining the size of informal sector and not city size.

The arguments which we have introduced to substantiate the relationship are tentative in nature and also subject to the definition of IFS, we have adopted. Further, the exclusion of towns and cities with less than 100,000 population (due to paucity of secondary data) has not given a full picture of city size- IFS relationship. This calls for further micro-level studies based on primary data, which could throw the much needed light on the empirical relationship between city size and IFS.

The following are a few issues we would like to put forward for further consideration of urban sociologists/economists :

1. Do the smaller and intermediate cities, which are much closer to rural hinterland, absorb the rural migrants into their informal sector and prepare them for the formal sector in the larger

- urban economy?
2. Are the smaller cities with larger IFS and larger cities with smaller IFS, generative or parasitic to the region?
  3. Do the market economy oriented industrial towns efficiently absorb the informal sector in diversifying their functions and thus avoid the stagnation in their growth after reaching a particular level of development?
  4. Is the percolation of technology in industrial cities from formal to IFS efficient and smooth?
  5. Would the present trends in growth centre strategy which concentrates on intermediate cities help the rural hinterland by generating employment opportunities in the IFS?
  6. If urban growth by itself takes care of IFS should the policies of government be oriented towards the development of the formal sector alone? □

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# *Taxation as an Instrument to Improve Urban Land Management in India\**

CHETAN VAIDYA

INDIA'S URBAN population has expanded very rapidly in the last few years. It grew from 107 million in 1971 to 156 million (23.7 per cent of total population) in 1981. Between 1971 and 1981, the annual growth rate of population was as high as 3.9 per cent. Though the problems of rapid population growth have been felt more severely in the large metropolitan cities, India's urban population is distributed in a more decentralised manner than in many other countries.<sup>1</sup> High population growth rates (above 2.5 per cent per year) have been registered for all size categories of urban centres during 1971-81 (Annexure). Urban growth in India is not a problem confined to only a small number of large metropolitan cities.

There is every indication that the higher rates of urban population growth will continue for many decades, and India's urban population is expected to double from its present level to over 300 million in the year 2001. The expanding population will require large amounts of serviced urban land. To meet the need for residential, commercial, industrial and other facilities, about 600,000 hectares of rural land will have to be converted to urban use during this period.<sup>2</sup> This is equivalent to urbanising the area of Greater Bombay every year. This indicates the need for effective instruments for urban land use and management.

In addition to the conventional land use controls, the past land

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<sup>1</sup>K. Rosen and M. Resnick, "The Size Distribution of Cities—An Examination of the Pareto Law and Primacy", *Journal of Urban Economics*, Vol. 8, No. 2, September 1980, pp. 165-180.

<sup>2</sup>This estimate assumes a density of 250 persons per hectare. See, "India : Urban Management Study", World Bank, Washington D.C., draft, May, 1985, p. 2.

management strategies have concentrated on public interventions in the land market. The interventions were in form of large-scale acquisition and development programme and enactment of the Urban Land Ceilings Act. However, these public interventions have not been able to meet wide ranging planning objectives.<sup>3</sup> In view of various limitations of past strategies, several effective instruments of urban land management have been suggested. One such instrument is taxation.

An efficient urban land tax system can provide additional local revenues. Stronger revenue base of the urban local authorities is essential in improving the level of services and management of land. Effective system of land taxation and user charges can also help in recovering from land owners part of the increase in land values due to urban development. In addition, this system can help in achieving efficient use of urban land and control of land speculation. Land taxation has been used as an instrument of land policy in Taiwan.<sup>4</sup>

The present paper has been prepared in this context. It has examined the present taxation measures, identified problems of the existing system and suggested measures to improve the system.

#### PRESENT TAXATION MEASURES

The Indian Constitution provides for the division of tax powers between the states and the Union. The central government has jurisdiction over taxes on income (excluding agricultural income), customs duties, taxes on capital value of assets, etc. State government have, jurisdiction mainly over land revenue, taxes on land and buildings, taxes on sale or purchase of goods, taxes on entry of goods and taxes on vehicles. The relevant taxes or charges from the point of view of urban land development are property tax, betterment charges, user charges, vacant land tax and capital gains tax. These measures have been analysed in this section.

##### *Property Tax*

Property tax is one of the most important sources of revenue for the urban local bodies. In 1976-77, it accounted for about 54 per cent of the total municipal taxes (Table 1). For purposes of assessment, India has followed the British system of using annual rateable value

<sup>3</sup>Task Force on Housing and Urban Development: *Planning of Urban Development*, Planning Commission, New Delhi, 1983, p. 257. Also see the Task Force's Report No IV, 'Shelter for the Urban Poor—Summary Findings and Recommendations', New Delhi, 1983, p. 9.

<sup>4</sup>Sein Lin, "Urban Land Reform—A Comparative Study of the Philippines and Taiwan". Paper to 43rd Annual Conference of ASPA, March 21-25, 1982 in Hawaii, p. 28.

as the basis for taxation. The annual value is that of land and buildings together. Annual rateable value (ARV) is defined as the gross annual rent at which the property might reasonably be expected to be let from year to year. It is, thus, a hypothetical value which can be interpreted as the market rent of the property concerned. It is not the actual rent transacted.<sup>5</sup>

TABLE 1 STRUCTURE OF MUNICIPAL TAXATION IN SELECTED MUNICIPAL AUTHORITIES IN INDIA—1976-77

Type	Percentage of Total Municipal Taxes			
	Property Tax	Octroi	Others	Total
Corporations	55.5	39.7	4.8	100.0
Municipalities	44.1	55.3	6.6	100.0
Total	54.1	40.9	5.0	100.0

SOURCE: *A Study of the Resource of Municipal Bodies*, NCAER, New Delhi, 1980, p. 29.

In most places total property tax consists of two components general or house tax and service taxes. Service taxes include water tax and lighting tax and are, generally, levied on the basis of rateable value.

All states have provision for a periodic reassessment of annual rateable value. The reassessment period is usually four to five years. But this is not carried out in most of the cases. The tax rates vary between states. Some states levy tax on a flat rate basis, while others have progressive rate structures. In Calcutta property tax rate structure is progressive with a rate of 15.5 to 33.3 per cent of the annual rateable value.

There has been a very increasing evidence over recent years that the property tax has not been a buoyant source of revenue. Between 1970-71 and 1976-77 total property tax receipts in 51 sampled bodies were found to increase at about 15 per cent per year.<sup>6</sup> This growth in revenue has not been commensurate with the potential that it has, keeping in mind the increases in market values of property over the same period. This is also reflected in the recent survey of sampled properties in Madras (Table 2). The market rent per unit area for selected zones is estimated to be about 4 to 6 times of the implicit rent based on present annual rental value. This clearly shows the potential for increasing revenue through this source.

<sup>5</sup>Rakesh Mohan, "Indian Thinking on Property Tax Reform", *Nagarlok*, April-June, 1981, p. 61.

<sup>6</sup>*A Study of the Resource of Municipal Bodies*, NCAER, New Delhi, 1980.

TABLE 2 COMPARATIVE ANALYSIS OF AVERAGE MONTHLY MARKET RENT AND IMPLICIT RENT BASED ON PRESENT ANNUAL RATEABLE VALUE (ARV) FOR SELECTED ZONES—MADRAS

<i>Selected Zone Type</i>	<i>Use</i>	<i>Market Rent per sq. ft. (Rs.) (A)</i>	<i>Implicit Rent on basis of present ARV (Rs.)* (B)</i>	<i>Ratio A/B</i>
1. Commercial and Office Sector near City Centre	Commercial	1.68	0.37	4.5
2. Mixed Residential near CBD	Commercial	1.42	0.36	3.9
3. Planned Residential	Residential	0.78	0.13	6.5
4. Unplanned Residential	Residential	0.65	0.10	6.5

\*1 TUS\$ = Rs. 12.

SOURCE : "Study on Rationalisation of Property Tax Structure in Madras", ORG, Madras, Draft, 1985, p. 26.

The major constraint for increasing yields from property tax is the system of valuation. There are conflicts between the provisions of rent control acts and the assessment of rateable value for property tax. Reassessment of properties is also affected by operation of rent control acts. The linkage with rent control has undermined the effectiveness of the property tax both as a source of resource mobilisation and as an instrument for land management.

#### *Betterment Charges*

Betterment charges are an equitable way of recovering some of the increased value of land from public investment. Planning legislations in India, generally, contain authority to levy betterment charges. However, in practice these charges had only limited success.<sup>7</sup> There are tremendous valuation problems with regard to increase in value.

Town Planning Scheme, a land development technique similar to land readjustment method, is used in Gujarat and Maharashtra states. Financial viability of a TP scheme depends upon appropriate cost recovery from betterment contribution. As per the Town Planning Acts owners' or betterment contribution is up to half of estimated increment in land value due to implementation of the scheme. The land owners have the option of paying their contribution in lumpsum or in ten annual instalments at a nominal interest rate. Therefore, most of the

<sup>7</sup>"India: Urban Management Study", *op. cit.*, p. 39.

land owners prefer to pay the amount by instalments. Table 3 presents financial aspects of selected TP schemes in the two states. The percentage deficit to total cost due to implementation of the TP schemes is estimated to be between 23 to 42 per cent. The actual deficit is much higher as these estimates do not include escalation in cost of construction and additional cost of instalment payment facility for the betterment contribution. It is estimated that the actual deficit due to implementation of the TP schemes will be between 42 to 59 per cent.

Definition of cost of construction, instalment facility at nominal interest rate and increment valuation problems are main constraints for making TP schemes financially viable. Therefore, the local authorities are, generally, not able to use it as an urban land development technique.

TABLE 3 FINANCIAL ASPECTS OF SELECTED TOWN PLANNING SCHEMES—MAHARASHTRA AND GUJARAT

Item	Maharashtra		Gujarat	
	Case 1	Case 2	Case 1	Case 2
(a) Area of Scheme (ha)	146	48	133	167
(b) Total Cost of Scheme (Rs. in million)*	4.05	1.06	13.71	10.42
(c) Investment Contribution from Owners (Rs. in million)	3.13	0.62	9.95	7.33
(d) Deficit/Surplus (Rs. in million)	— 0.92	— 0.44	— 3.76	— 3.09
(e) Percentage Deficit/ Surplus to Total Cost	—22.7	—41.5	—27.5	—29.6
(f) Actual deficit/ Surplus to Total Cost (%) (Author's estimate)	—49.9	—58.6	—42.0	—50.9

\*1 US\$ = Rs. 12.

SOURCE: Chetan Vaidya, "TP Scheme as an Urban Land Management Technique in India", *Nagarlok*, October-December, 1984, p. 12.

#### User Charges

Application of properly designed user charges for urban services can contribute to improve resource generation and equitable urban growth. They are an important element in ensuring the replicability of urban investment programmes. However, in India, water supply and sewerage

charges are, generally, very low and are not able to recover even the maintenance cost of the systems. For example, in some selected urban centres of Gujarat, none of the centres were fully recovering expenditure on water supply and sewerage systems. (Table 4). Much of the cost of maintaining the services was met from the general tax revenues (such as property tax and octroi) and state government grants. Apart from the problem of present low level of cost recovery, the more important aspect to be considered is future costs of providing services. The costs in future are likely to be high even in real terms. This can be illustrated with example of providing water supply in the selected urban centres of Gujarat. Most of the urban local bodies have already tapped the local sources of water supply and any augmentation of future water supply would imply substantially higher capital and operating cost compared to the present level of operation. The existing cost of water supply is about Rs. 0.25 to 0.35 per thousand litres in these centres. The average cost of future supply is estimated to be between Rs. 0.72 to 0.90 per thousand litres (at constant prices). This would impose a financial burden on the local bodies several times higher than the present system.<sup>8</sup>

The problem of very low higher costs of providing future services have important implications for urban land management.

TABLE 4 ANNUAL REVENUE FROM AND EXPENDITURE ON WATER AND SEWERAGE PER CAPITA IN URBAN GUJARAT (IN RS.)\*

Town	Water Supply		Sewerage	
	Revenue	Expenditure	Revenue	Expenditure
Bhavnagar	4.76	12.41	1.32	7.46
Rajkot	6.16	8.52	—	—
Nadiad	5.50	15.43	3.62	7.19
Savarkundla	1.88	9.18	—	2.48
Godhra	5.55	6.41	—	—

\*1 US\$ = Rs. 12.

SOURCE : Annual Reports of the Local Bodies, 1979-80.

#### *Urban Land Tax*

Except in Calcutta and Andhra Pradesh, no other state legislations permit taxation of vacant land by municipal authorities. However, Tamil Nadu has its own urban land tax. The main justification for this tax is that it discourages speculation.

<sup>8</sup>D.N. Basu and Chetan Vaidya, "Provision of Basic Services for the Urban Poor of Gujarat—An Overview", Paper to Seminar on Development of Gujarat, Ahmedabad, 1981, p. 12.

There is wide variation in rates for land taxation. In Calcutta, land which is not leased is valued in terms of an annual rental value and it is assumed to be 5 per cent of capital value. In Andhra Pradesh, value of vacant land is estimated on evidence from public land acquisition. In Madras, vacant land is taxed at Rs 8 per year per ground (2400 sq. ft.) irrespective of location. In Coimbatore city of Tamil Nadu vacant land is taxed at the rate of 2 per cent on capital value of land. Although urban land tax is a very useful tool, in practice, it has not been effective in promoting efficient land use. Main difficulty is identification of the vacant lands and their valuation.

#### *Capital Gains Tax*

Increase in land values can also be recovered by capital gains tax. As per Indian Income Tax (IT) Act, 1961 (as amended), the capital gains from the sale of land held for more than two years shall have 65 per cent of gain taxed as ordinary income. It is difficult to administer this tax. Many of the land transactions are not recorded and value of land is often under reported. An unintended effect of capital gains taxes has been, therefore, to drive land transactions underground to the detriment of land valuation and land recordation systems.<sup>9</sup> The Indian IT Act was amended in 1982 to discourage tax evasion. As per the amendment, the sale of all urban properties having a value of more than Rs. 25,000 (about 2000 US \$) must be notified to IT commissioner. He has the option to buy that property by paying 15 per cent above the stated value, if he believes that the sales price may have been understated. It seems that the measure has not been very effective in curbing tax evasion.

#### CONCLUSION

As mentioned earlier, the emphasis of past strategies for urban land management has been on direct public interventions in urban land market. The taxation measures have not been integrated with public interventions. Property tax, betterment contribution and other taxes have been viewed as separate revenue generation measures rather than an integrated package for cost recovery and improving efficiency of land use. In addition, the present system of taxation has not been able to meet the limited objective of revenue generation.

#### EXPERIENCES OF OTHER COUNTRIES

Given the analysis of present taxation measures in the previous section, this section provides a study of experiences of other countries.

<sup>9</sup> "India: Urban Management Study", *op. cit.*, p. 41.

Land Value Tax, Land Value Increment Tax, Site Value Tax and Land Readjustment have been reviewed here.

#### *Land Value Tax<sup>10</sup>*

Taiwan has adopted land value tax. The Taiwanese Government has placed greater emphasis on land taxation as an instrument of policy rather than on its traditional function of raising revenue. Land value tax (LVT) is levied at steeply progressive rates and on a selective basis depending upon use of land. LVT is an annual capital levy that incorporates aspects of pure property tax and the unrealised capital gains tax. The progressive rate structure is based on multiples of the so-called progressive starting value (PSV) in each of the taxing jurisdictions. The PSV is average value of 700 square meters of land in each jurisdiction. The land value tax rates vary from 1.5 to 7 per cent of the portion of land value in excess of initial value. LVT is also characterised by considerable differentiation to implement land policy objectives. The tax on lands reserved for public facilities are levied at uniform rate of 1 per cent while self use residential land not exceeding 300 square meters are levied at 0.5 per cent. LVT has been successful to break up large holdings and to promote land use.

Vacant land tax technically is part of the land value tax. Vacant land tax (VLT) imposes a surtax from 200 to 500 per cent on any private land that has been designated as vacant land where basic urban services are already available. Land is considered vacant if the value of the improvements on the land is less than 10 per cent of the value of the land. Owners of the vacant land were given 2 to 3 years to improve upon it. The tax on vacant land has had an uncertain life since its introduction in 1968. It is doubtful if the tax on vacant land was ever applied vigorously enough to achieve its purpose of encouraging better land utilization and preventing speculation.

#### *Land Value Increment Tax*

Land Value Increment Tax (LVIT) has also been adopted by Taiwanese Government as an instrument of land policy. LVIT is collected on land sales at highly progressive rates. The seller is taxed at a rate based on amount of increased value over the original capital value. There is an adjustment for changes in the consumer price index. Allowance is also made for land improvements costs, if any. LVIT has incorporated preferential rates. Where urban land is used by its owner as a factory site and it is transferred for the same use, the tax rate would be half of the normal rate. For owner-occupied

<sup>10</sup>The Review of Land Taxes in Taiwan is mainly based on Sein Lin, "Urban Land Reform in Taiwan", *International Journal of Public Administration*, Vol. VI, No. 3 1984, pp. 336-37.

residential land, the flat rate of 10 per cent of the increment is charged for land holdings of less than 320 square meters in size. For increases in land value less than 100 per cent the tax rate is 40 per cent; between 100 and 200 per cent of increases in value it is 50 per cent, and the increase in excess of 200 per cent is levied at 60 per cent.

Increase in revenue from LVIT and LVT during 1971-76 has been presented in Table 5. Revenue from LVIT has increased sharply during this period. It has overtaken the LVT in terms of yield. Land value increment tax assessments have averaged about 38 per cent of the increments in value on taxable sales of privately owned land.

LVT and LVIT have been successful in breaking up large holdings and promote land use.

TABLE 5 LAND VALUE TAX AND LAND VALUE INCREMENT TAX COLLECTED IN TAIWAN\* DURING 1971-76

Types of Tax	Amount Collected (in NT\$ million†)		Percentage of Annual Growth Rate
	1971	1976	
(a) Land Value Tax	1199.8	2965.1	29.4
(b) Land Value Increment Tax	2965.1	5317.3	93.8

SOURCE : "Taxes on Urban Lands in ROC" Compiled by LRTI (Taoyuan; 1981).

\*Includes Taiwan Province and Taipei city.

†1 US\$ = 40 NT\$.

#### Site Value Taxation<sup>11</sup>

Site Value Taxation (SVT) is a property tax system that does not tax improvements. Since only land is taxed, owners are encouraged to make optimal use of the land. Theoretically, there is no penalty for improving a property, as there is under a capital value system. It is important that the level of land taxation be high enough to induce landowners to develop. Jamaica has implemented site value taxation since 1974. The advantage of SVT system which have been observed from Jamaican experience are : (a) the valuation and administrative procedures for mass value are much less involved and costly, (b) more frequently territorial revaluations can be carried out, (c) the old practice of concealing construction as a means of reducing tax burden

<sup>11</sup>See O. St. Clare Risden, "A History of Jamaica's Experience with Site Value Taxation" in Roy Bahl (ed.), *The Taxation of Urban Property in LDC*, London, University of Wisconsin Press, 1979, pp. 247-61.

is not encountered on this account, (d) given an appropriate rate structure, it induces more economical use of land; and (e) it is not a disincentive to development.

The disadvantages of this system are : (a) it penalises the holding of land when a change of use is not yet economic, (b) it is insensitive to the taxpayers' ability to pay, (c) sometimes significantly developed properties pay less than under capital valuation system, and (d) the government obtains no advantage from year to year from the value of any new buildings.

#### *Land Readjustment Schemes*

Land Readjustment is a technique for carrying out the unified servicing and Sub-division of separate land holdings for planned urban development. It is widely used in Taiwan, Japan, South Korea and some cities of Australia.<sup>12</sup> The experience with land pooling in these countries has shown its value as a positive land management technique for financing the cost for providing the road and public utility service works in each scheme out of the related land value increases.

TABLE 6 COMPARATIVE ANALYSIS OF COST RECOVERY FROM LAND READJUSTMENT SCHEMES IN DIFFERENT COUNTRIES

<i>City/State (country)</i>	<i>Number of schemes considered</i>	<i>Average area of the schemes (ha)</i>	<i>Percentage of Deficit/ surplus to local authority</i>	<i>Major methods of cost recovery*</i>
Kaohsiung (Taiwan)	21	73	Nil	LS/OCL
Nagoya (Japan)	1	167	Nil	LS
Perth (Australia)	1	20	Nil	LS
Seoul (South Korea)	18	373	+63	LS/OCM
Maharashtra (India)	34	152	-61	OCM

\*LS—Land Sale.

OLM—Owner's contribution in form of money.

OCL—Owner's contribution in form of land.

SOURCE : Chetan Vaidya, "Indian Plot Reconstitution Method and Urban Land Readjustment Technique—Similarities and Differences". Paper to International Seminar on Kukaku—Seiri, Tokyo, March, 1985, p. 14.

<sup>12</sup>Ray Archer, "Use of Land Pooling/Readjustment Technique to Improve Land Development in Bangkok", H. S. Division, W.P. No. HOIO, Bangkok, AIT, 1983, p. 1.

Comparative analysis of cost recovery from Land Readjustment (LR) schemes reveals that in Nagoya, Kaohsiung and Perth, all the costs are expected to be recovered (Table 6). The local authorities in these cities do not have to incur any additional expenditure for LR schemes though they also do not make any financial profits. A study of eighteen projects completed in Seoul as of 1977 showed that total revenues exceeded expenditure by some 63 per cent. This large surplus probably gave Seoul the capital needed for interim financing of large LR schemes in later years.<sup>13</sup>

The major methods of cost recovery from LR schemes in most of the countries are sale of land and owners' contribution in form of land.

#### SUGGESTIONS FOR IMPROVEMENT

The Task Force on Housing and Urban Development has stated that major goals of urban land management policy in India should be to : (a) make adequate land available to both public authorities and individuals at reasonable prices, (b) achieve efficient use of urban land, and (c) widen the base of land ownership specially to safeguard the interests of the poor and the under-privileged sections of urban society.<sup>14</sup> As the emphasis of the policy is on increasing supply of serviced land to the urban poor, it should be recognised that public sector agencies alone cannot meet this objective. Larger contribution will have to come from the private sector. This will require a more market oriented land development strategy with less emphasis on direct interventions by public sector. Public sector should concentrate on providing a regulatory framework to increase supply from the private sector and protect interests of the poor.

In this perspective taxation can be used as an effective instrument for achieving land policy objectives. Specific suggestions for improvement of the present system are:

- (a) The most critical pre-condition for proper functioning of urban land market is an appropriate land record system. India has a long established land record system. The system is deteriorating in many centres due to Urban Law (Ceilings and Regulation) Act, heavy duty on land transfers and fees for registration. The cost of registration should be reduced, especially for low income households. As a long-term measure, computer based urban land information system should be introduced in the country.

<sup>13</sup>I. Kim, M. Hwang and W.A. Doebele, "Land Readjustment in South Korea" in W.A. Doebele (ed.), *Land Readjustment*, Toronto, Lexington Books, 1982, p. 149.

<sup>14</sup>*Task Force on Housing and Urban Development—Planning of Urban Development*, Planning Commission, New Delhi, 1983.

- (b) As far as property tax is concerned, a number of studies have suggested various alternatives for assessment of property based on annual rateable value. Madras Metropolitan Development Authority (MMDA) had sponsored a study on property tax system in Madras during 1978-79.<sup>15</sup> It recommended built up area of property classified by zonal locations and use as the tax base. Second phase of the study has been recently completed to operationalise it. This system is likely to be introduced in Madras in near future. It is felt that the system can provide an objective method for assessment of properties in urban areas of the country. It should be introduced in other cities of the country.
- (c) Town Planning (TP) Scheme technique can be a very important method of urban land development in India. TP schemes should be made financially viable. Suggestions for changes in TP Act for improving financial viability of the technique are:
- (i) Costs of TP scheme should include escalated cost of on and off site infrastructure.
  - (ii) Land owners should not be given the option of paying owners' contribution through lumpsum or instalments. The annual rate of interest for instalment payments should be as the interest rate fixed by State Bank of India to take care of inflation. The contribution could also be recovered in form of land.
  - (iii) The local authority should be allowed to reserve some land to be sold for private use at market price.
- (d) The users' charges should be gradually increased to recover cost of maintenance of the urban services. Wherever new investments have been made the charges should be increased to recover average cost of providing and maintaining the urban services. As far as possible, urban services such as water supply, sewerage and solid waste disposal should not be subsidised by the general revenues of the local bodies.
- (e) To discourage land speculation the tax on urban vacant land should be increased to 2 per cent of capital value in Tamil Nadu state. This tax should be extended to other large cities of India.
- (f) Professionals working on urban land management and related projects should be given training regarding importance of taxation as instrument for achieving urban land policy. □

<sup>15</sup>"Property Tax System in Madras Agglomeration—A Review of Existing System and Proposed Rationalisation", *ORG*, Madras, MMDA, 1979.

**Annexure****Table A1 Population Growth by City Size Class, Classified by Initial Year Size\* in India—1971-81**

Size Category	Number of cities and agglomera- tions	Population (millions)		Actual growth rate (%)
		1971	1981	
Over 4 million	2	13.0	17.4	3.0
1-4 million	7	14.4	21.3	4.0
500,000-1 million	10	6.7	8.9	2.9
250,000-500,000	33	12.0	17.9	4.0
100,000-250,000	93	14.0	20.3	3.8
50,000-100,000	178	12.0	16.9	3.3
20,000-50,000	560	17.2	23.7	3.3
10,000-20,000	818	11.7	16.1	3.3
5,000-10,000	596	4.3	6.3	3.8
Total*	2297	105.3	148.8	3.5

\*Populations and growth rates of category exclude any city that graduated into another category between 1971-81.

†Excludes Towns with fewer than 5,000 population.

SOURCE: "Task Forces on Housing and Urban Development : 1 Planning of Urban Development", *op. cit.*, Table 2.3, p. 14.

## *Aspects of the Rating System in England and Wales*

I. P. SANDERSON

### HISTORICAL PERSPECTIVE

THE TAXATION of property in England and Wales to provide local revenues is of considerable antiquity. It is customary to regard the Poor Relief Act 1601 as the origin of rating. This Act was, however, built on many earlier precedents for taxing property for particular purposes, including local purposes. An early example of legislation which set out in some detail the property to be charged is the Statute of Sewers 1531. The Statute of Elizabeth I (*i.e.*, the Poor Relief Act 1601) may, however, be regarded as the foundation of the modern system of rating. Although the purposes for which rates were raised have changed on many occasions over the centuries, and although there have been many changes in the types of property assessed and in the methods of assessment, it is possible to trace a continuous line of development from 1601 to the present day. In Scotland various taxes were imposed on land by legislative authority as aids to the Crown in the course of the 12th and 13th centuries and many similar powers had been taken before that time. The Poor Law (Scotland) Act 1845 is generally regarded as the foundation of the modern system of local rating in Scotland but it is clear from the terms of the Act that assessments for the maintenance of the poor had earlier been imposed "according to the provisions of any local act or according to any established usage".

It is interesting to look at the wording contained in the Poor Relief Act 1601 by which the overseers (who were the predecessors of the modern rating authority) were directed to set the poor to work and also :

To raise weekly or otherwise by taxation of every inhabitant, person, vicar and other, and of every occupier of lands, houses, tithes impropriate or proprieties of tithes, coalmines or saleable underwoods in

the said parish, in such competent sum and sums of money as they shall think fit, a convenient stock of flax, hemp, wool, thread, iron and other necessary ware and stuff, to set the poor on work; and also competent sums of money for and towards the necessary relief of the lame, impotent, old, blind and such other among them, being poor and not able to work, and also for the putting out of such children to be apprentices, to be gathered out of the same parish, according to the ability of the same parish.

The liability of the inhabitant did not depend on the occupation of lands or houses, nor was the quantum of liability measured by the value of the occupation. After the passing of the relevant statute, it was decided in Sir Anthony Earby's Case (1633) that :

Assessments ought to be made according to the visible estate of the inhabitant there, both real and personal, and that no inhabitant there is to be taxed by them (*i.e.*, the overseers), to contribute to the relief of the poor, in regard of any estate he hath elsewhere, in any other town or place, but only in regard of the visible estate he hath in the town where he doth dwell, and not for any other land which he hath in any other place or town.

Although this case established the liability of the inhabitant to be rated in respect of personal property, the difficulty of ascertaining the value of personal property made it a common practice for the overseers not to rate personal property at all, or at most, to rate only such personal property as consisted of stock in trade.

Legislation concerning rating ranging from the Poor Relief Act of 1601 through more than 30 statutes up to and including the Local Government Act 1966 was consolidated in the General Rate Act 1967 which, although subsequently amended and extended, remains the main consolidating legislation concerning rating in England and Wales.

#### LIABILITY FOR RATES

The primary liability for payment of rates falls on the occupier of rateable hereditaments, although in certain cases statute provides for the owner to be rated in order to facilitate the collection of rates. This means that it is now possible for unoccupied or unused properties to attract a rate liability.

The concept of rateable occupation is far from simple. The relevant law based in statute and interpreted by courts has been developed over three and a half centuries with the result that there is a considerable volume of case law dealing with the complexities of rateable occupation.

It is possible to discern from case law relevant to the subject that there are four essential ingredients required to constitute rateable occupation:

1. The occupation must include actual possession which may not necessarily be legal possession;
2. The occupation must be exclusive for the particular purposes of the occupier;
3. The occupation must be beneficial, *i.e.*, of some value or benefit to the occupier; and
4. The occupation must not be for too transient a period.

It is sometimes said that there is a fifth essential ingredient which is that there must be proof of some overt act amounting to evidence of user to justify the finding of occupation, although it may be seen that this element falls within the first ingredient of rateable occupation identified above.

It is of course important to define the property in respect of which rates are to be levied and the 1967 Act states that :

Every occupier of property of any of the following descriptions, namely :

- (a) Lands
- (b) Houses
- (c) Coalmines
- (d) Mines of any other description...
- (e) Any right of sporting (that is to say any right of fouling, of shooting, of taking or killing game or rabbits, or of fishing) when severed from the occupation of the land on which the right is exerciseable.

Shall be liable to be assessed to rates in respect of the hereditament or hereditaments ..

Thus rates are levied on corporeal hereditaments of all kinds (*i.e.*, land and buildings) whereas incorporeal property such as easements, licences or rights of toll or common, are not rateable *per se*, though the exercise of such rights may give rise to rateable occupation and therefore attract a liability to rates. Two particular kinds of incorporeal right have been made expressly rateable where they are occupied separately from the occupation of the land over which they exist—these are sporting rights and advertising rights.

In addition to land and buildings, chattels are rateable if they

constitute 'plant or machinery' of certain kinds specified by statute or order made under the provisions of the statute. In very broad terms the relevant statutory regulations provide that plant and machinery which exists in or on a hereditament and which might reasonably be expected to be provided as an integral part of the land and or buildings concerned, is rateable. Thus, for example, plant and machinery used for heating, lighting, drainage, supply of water, provision of power, is rateable as are passenger lifts, railway tracks and other major structures such as chimneys, bridges, silos, and tanks.

A rateable hereditament is therefore, in broad terms, the land and buildings together with any rateable plant and machinery, that is occupied as a single entity by an occupier for a particular purpose. This hereditament falls to be valued and its annual value entered in the Valuation List. The occupier of that hereditament will then attract a liability to pay rates based upon the annual value of the hereditament he occupies multiplied by the appropriate rate in the pound determined by the rating authority.

#### EXEMPTIONS AND RELIEFS

Hereditaments occupied by the Crown are exempt because the Crown is not mentioned in the General Rate Act 1967 (and was not mentioned in the original statute, *i.e.*, the Poor Relief Act 1601). However the Crown does make ex-gratia payments based on a notional rate liability to the rating authorities where the Crown occupies land and buildings. Hereditaments occupied by persons entitled to diplomatic immunity are exempt from rates by statute and formerly were not liable for rates based on the common law immunity from process.

Property such as highways and public parks and pleasure grounds which are subject to such extensive rights of use by the public as to exhaust all benefit of occupation, are exempt from rates because the 'public', not being a legal entity, cannot be rated.

Agricultural land, which enjoyed a 50 per cent relief from rates by virtue of the Agricultural Rates Act 1896, increased to 75 per cent relief by the Agricultural Rates Act 1923, was fully derated by the Local Government Act 1929 and that exemption remains today under the present legislation. Although the agricultural exemption extends to agricultural buildings in addition, to agricultural land, agricultural dwellings are not exempt from rates but are valued as if their use was limited only to agricultural occupation. Thus there is a form of limited relief from rates in respect of agricultural dwellings.

Churches, Chapels and ancillary buildings such as Church Halls are exempt from rates and although the original relief applied only to the Church of England, exemption was extended to places of religious

worship occupied by other denominations by the Poor Rate Exemption Act 1833 and the additional exemption is maintained under the General Rate Act 1967.

Sewers became exempt from rates under the provision of the Rating and Valuation (Miscellaneous Provision) Act 1955 and that exemption is retained under the present legislation although sewage disposal works are rateable.

There are a wide variety of other exemptions and reliefs, perhaps one of the more important being the relief accorded to hereditaments occupied by a charity and used wholly or mainly for charitable purposes.

It may be noted that the Parliament has provided that certain categories of property occupation shall not be assessed for rating purposes whilst others shall be exempt from payment of rates or enjoy a partial relief from the payment of rates.

#### BASIS OF ASSESSMENT

Every rateable hereditament is required to have a rateable value ascribed to it upon which the annual rate charge is based.

Rateable value is either equal to the hereditament's net annual value (with one or two rare exceptions) or is derived from a valuation to gross value from which a deduction is made to arrive at rateable value.

The relevant legislation defines which hereditaments shall be valued to gross value and all other hereditaments are valued directly to net annual value.

It will be clear from the requirement that a hereditament is ascribed a figure representing its annual value. There is an assumption that each rateable hereditament is the subject of a hypothetical tenancy the terms of which are laid down by statute. In respect of those hereditaments defined by statute as requiring a gross value (in general terms houses and other non-industrial buildings) it is assumed that the hereditament is let on an annual tenancy with the hypothetical landlord of the hereditament being responsible for all repairs and insurance, whereas in the case of properties assessed directly to net annual value, the hypothetical tenancy from which the annual rental value is derived, assumes that the hypothetical tenant is responsible for all repairs and insurance.

The reason for the distinction between these two terms is broadly that for factories and other industrial buildings the general market practice is that tenants of those types of properties pay rent based upon what is known as a full repairing and insuring lease (*i.e.*, one where the tenant is responsible for all repairs and insurance) which means that the evidence of rental value available in respect of those

hereditaments is expressed in terms of net annual value. However, lettings of houses, shops, offices and other types of hereditament assessed to gross value used to be on terms whereby the actual landlord was responsible for repairs and insurance. In today's rental market those conditions no longer hold true and the vast majority of commercial leases now require the lessee/tenant to bear the cost of repairs and insurance and, although the present legislation has not been changed to reflect this. In the event of a revaluation, statute provides that commercial properties will be assessed directly to net annual value.

#### VALUATIONS FOR RATING

In valuing properties for rating purposes there are four main methods of approach:

- (a) The rental method.
- (b) The contractors' approach.
- (c) The profits or accounts method.
- (d) Statutory formulae.

Legislation prescribes that certain hereditaments are to be valued by formula and in respect of those hereditaments no other method may be used. For other hereditaments, one or more of the remaining three methods of approach may be used.

As already indicated, statute requires that the rental value of a hereditament should be found. Therefore, *prima facie*, the rental method may be considered to be the most suitable and reliable approach since the rent paid for a particular property is normally regarded as the best evidence of the property's rental value at the time of the relevant letting.

There are of course a large number of exceptions to this broad statement and the rent at which a hereditament is let is not necessarily conclusive evidence of its annual rental value for rating purposes since the terms of the actual letting may be quite different to the requirements for the hypothetical statutory tenancy.

To test the reliability of a rent actually passing on the premises it is necessary to have regard to other rents on comparable hereditaments or, where there are no other comparable rents, to consider other methods of valuation. The courts have held that they will consider other rents or methods of valuation and decide how much reliance should be placed upon them having regard to the particular circumstances of the case. It follows that it may be necessary in some cases to do more than one valuation of the hereditament using different approaches.

### THE RENTAL METHOD IN MORE DETAIL

Where the hereditament belongs to a class of property which is generally let in the open market then the rental method should be used provided that the necessary rental evidence exists.

Direct evidence arises from a letting on an open market basis of the hereditament which is being valued, but such evidence will only be relevant if the date when the rent was fixed was close to the date of valuation (the relevant date of valuation is referred to in more detail subsequently).

Indirect rental evidence arises from lettings of comparable hereditaments on an open market basis with the date of the rental agreement again being relevant.

Having assembled as much rental evidence as possible, the first stage in the valuation process is to adjust the rents to terms of Gross Value or Net Annual Value by adding or subtracting, as may be necessary, realistic amounts for repairs, insurance, or other expenses to bring those rents into line with the statutory definitions. Additions should also be made for improvements and alterations carried out by the tenant or for any premium paid for the lease.

When all necessary adjustments have been made, it is usual to analyse each rent in terms of a value based on a convenient unit of measurement for comparison purposes. Thus the unit of comparison may be expressed in terms of a unit of area, i.e., £X per square metre, although the unit of comparison may be different for various types of property. Thus, for example, rents of cinemas may be expressed as a percentage of gross receipts, rents of petrol filling stations may be related to through put, and the rents of hotels could be expressed by reference to the number of guests that can be accommodated.

The evidence derived from analysed rents is then applied to ascertain the rental value of the particular hereditament which formed the object of the valuation exercise.

### THE CONTRACTORS APPROACH

The contractors' basis method of valuation is that employed in the case of hereditaments which are normally never let and which by their nature do not lend themselves to valuation by comparison with other property where rental evidence does exist and which are not a type to which a profits/accounts basis could reasonably be applied.

It is a method commonly employed for certain classes in the industrial field such as aluminium smelting works, petrol and oil storage depots, breweries, and for many properties occupied by public bodies such as local authorities where the properties concerned are not

comparable with other properties and which are often owned by the authorities concerned and therefore not let, and thus the rental method of valuation is not available. In addition, since local authority occupations are generally not run with a view to making a profit, the profits approach cannot be adopted. Thus such properties as Town Halls, Sewage Works, Public Conveniences, Public Libraries and Swimming Baths fall to be valued by the contractors' basis approach.

Broadly the method involves the ascertainment of an effective capital value of the site, buildings and rateable plant and machinery, and taking a percentage of the total capital sum to represent annual rental value. The method is based upon the simple theory that a potential tenant of the subject property in making his rental bid would have regard to the annual costs he would incur if he built an alternative property similar to that for which he is considering paying an annual rent.

To determine the effective capital value of the site it is necessary to estimate the value of the bare land available for the erection of the building in question. The cost of the necessary site works will need to be taken into consideration in addition to the cost of the building itself which will be based either on the cost of reconstruction or, alternatively, the cost of constructing a simple substitute building. In the case of a new building erected to the occupier's requirements the effective capital value will probably be equivalent to the actual cost of construction. In the case of an old building the cost of reconstruction will have to be adjusted (*i.e.*, written down) to take account of the difference in value between the actual building and a newly constructed building.

Where it is difficult or impossible to envisage the reconstruction of the existing building in its present form, the cost of providing a simple modern building capable of performing the functions of the actual building will be taken and the cost of providing a simple substitute building will then be adjusted to take account of the difference between the actual building and the modern substitute.

Having arrived at an effective capital value of the relevant hereditament it is necessary to convert this capital sum to an annual equivalent by the application of an appropriate rate per cent.

A great deal of controversy and litigation has arisen, and is likely to continue to arise, out of this particularly contentious element of the contractors' method of valuation, but in general terms, it is accepted that the rate per cent adopted must have regard to prevailing market interest rates (but exclude any element of inflation in the long term borrowing rates) and the advantages of owner occupation compared with the status of a tenant from year to year. It has been established by case law that a higher rate per cent should be adopted in the case

of commercial or quasi-commercial occupations as opposed to non-profitable or charitable occupations.

#### THE PROFITS OR ACCOUNTS METHOD

In the absence of sufficient rental evidence, or if there is doubt about the reliability of the rent being paid in respect of the particular hereditament, the rent that a tenant might reasonably be expected to pay may be estimated by reference to the profit which accrues, or might be expected to accrue, from the occupation of the property.

The method is based upon the prospect that the hereditament will provide an income to the tenant from his occupation which will compensate him sufficiently for operating the concern, and, in addition, provide a surplus which the tenant would be prepared to pay for the right to occupy the hereditament, *i.e.*, the rent he would be prepared to pay to gain the opportunity to earn the anticipated profit.

In simple terms, the method comprises ascertaining the gross annual receipts likely to be obtained by occupying the particular hereditament and carrying on the relevant undertaking for which it is used, and deducting the annual costs and other expenses incurred in generating those receipts. In addition to adjusting the actual gross receipts (where they are available) to take account of purchases and other working expenses, allowance must be made for the prospective tenant to obtain a return on the capital he will need to invest in the business and also the remuneration he would reasonably be expected to receive as his reward for operating a particular concern. The sum left after this calculation will then be available for payment of rent and rates. By means of a simple arithmetical calculation using the appropriate rate poundage the rental value of the hereditament can then be derived.

In order to provide a reliable basis for the profits valuation approach it is necessary to have the latest accounts of the actual occupier together with accounts for preceding years to determine the trend of the particular business. As explained above, those accounts will need to be adjusted before they can be used in the valuation process and, ideally, the accounts of other similar businesses should be available to ascertain whether the particular accounts arising out of the occupation of the relevant hereditament are a reliable guide to its profit earning capability.

#### STATUTORY FORMULAE

Various public utility undertakings such as electricity and gas boards, National Coal Board, British Rail Board, British Waterways, Water Authorities, Statutory Docks and Harbours, are, in accordance with the General Rate Act 1967, valued by statutory formulae. The

calculations will vary in accordance with the terms of the Statutory Orders issued by ministers from time to time pursuant to the Act. In some cases payments in lieu of rates are specified and there is provision for annual review. 'Non operational' premises, i.e., dwelling houses, showrooms, and offices not on operational land occupied by these bodies are rateable in the normal way.

#### VALUATION OF RATEABLE PLANT AND MACHINERY

As already explained, the rateable hereditament in respect of which the annual value is required consists of the land, buildings and rateable plant and machinery let as a whole. Therefore it is necessary to reflect in the value of the hereditament the rental value of rateable plant and machinery.

For valuation purposes, items of rateable plant and machinery may be divided into two groups :

- (a) Those which are normally supplied by the landlord and thus included in the rent charged for the hereditament.
- (b) Those normally supplied by the occupier of the hereditament and for which there is in consequence no rental evidence.

Category (a) will include, *inter alia*, electrical wiring, switchboard, transformers, heating, lighting and ventilation plant. The value of this plant will usually be included in the adjusted rents which the valuer is using to assist in the valuation process. Thus heating, lighting, etc., will probably be reflected in the price per unit derived by analysis of office rents. Therefore the adoption of that unit price in the valuation of comparable office buildings will not require adjustment for heating, lighting, etc.

However, certain substantial or unusual items of rateable plant and machinery of a type not normally provided by the landlord as part of the hereditament, will not have such a readily ascertainable rental value, and therefore the contractors' approach to the valuation of these items of plant and machinery is adopted. The effective capital value of the plant and machinery is found and an appropriate rate per cent applied in order to arrive at an estimate of its annual rental value. In the same way as the contractors' approach to the valuation of buildings is carried out, the effective capital value of plant and machinery may be estimated by reference to its cost including installation when new, and making such allowances as may be appropriate, e.g., for age and obsolescence.

## PRACTICAL VALUATION PROBLEMS

There are a wide variety of problems that arise in the context of valuations for rating purposes but three in particular have given rise to considerable difficulties and generated much litigation as a consequence. The three problems considered are:

- (a) The paucity of rental evidence available for some categories of hereditament.
- (b) The relevant date of valuation for rating purposes.
- (c) The concept of *rebus sic stantibus*.

## AVAILABILITY OF RENTAL EVIDENCE

To maintain credibility the present basis of valuation requires an adequate and continuing volume of open market rents sufficiently distributed over the country and relating to all types of property, both domestic and commercial/industrial. However, over the past 25 years, and possibly longer, the proportion of privately rented domestic accommodation has declined considerably.

For example, in 1951 approximately 46 per cent of all dwellings in England and Wales were rented privately but by 1973, the date of the last Revaluation, the proportion had fallen to about 13 per cent and the number of rented houses is continuing to decline at a steady rate each year. Furthermore, many of the 13 per cent of dwellings which were privately rented in 1973 did not produce evidence of open market rents essential to fulfil the statutory basis of valuation. The vast majority of rents are controlled or regulated by statute and many will be rents determined by the Rent Officer under the Rent Act 1977. These rents are known as 'fair rents' because they are determined on the assumption that the number of persons seeking to become tenants of dwelling houses in an area is not substantially greater than the number of such dwellings available for letting. In simple terms, therefore, this hypothetical rental estimate ignores any additional rental value that may be created as a result of scarcity of available property to let. Therefore there is an assumption that supply and demand are balanced and this assumption may lead to a considerable distortion of the open market rental value of the properties concerned.

A survey of the availability of rental evidence in selected rating areas in 1973 indicated that open market rents for dwelling houses considered suitable for rental analysis in preparing for the revaluation that year represented less than 2 per cent of the total of private dwellings. The difficulty of deriving a reliable basis for rental valuations from such a small amount of evidence will be obvious.

Furthermore, a large proportion of this limited private rented accommodation is found in the main towns and cities and rental evidence is not therefore distributed evenly throughout the country. To add further to the problems, such evidence as exists relates primarily to flats and pre-war dwelling houses and therefore very little evidence exists for the vast majority of many other types of housing, e.g., post war detached and semi-detached houses and bungalows.

As already indicated, the very small amount of rental evidence for domestic properties is continuing to decline rapidly since owners of such premises often prefer to sell a house with vacant possession rather than re-let the property if the existing tenant vacates or for any other reason the tenancy comes to an end. The reason for this is that, in most cases, the market value of a house with vacant possession is considerably in excess of its market value as an investment. This is partly due to the limitations imposed by statute upon the amount of rent that can be obtained in respect of a domestic dwelling house.

As far as commercial and industrial properties are concerned there is, in general, a reasonable amount of rental evidence available from which a basis for valuation can be derived. However, a particular difficulty is associated with some of the largest retail, commercial and industrial units, which are purpose-built to the requirements of their owner-occupiers and in respect of which, therefore, no rental evidence exists. Many of the well-known major retailers in this country, for example Marks and Spencers, Woolworths, Sainsburys, etc., are owner-occupiers of the retail units they operate and thus no rental evidence exists in respect of these occupations which are frequently the major town centre units or out-of-town hypermarkets. Similarly, many of the existing large industrial companies for example, ICI, Unilever, British Leyland, GEC, etc., own rather than rent the substantial industrial premises they occupy and the ascertainment of hypothetical rental values is as a consequence made more difficult due to the absence of reliable rental information in respect of the larger industrial units.

#### TIME OF VALUATION

##### *Revaluation*

The time of valuation in connection with a revaluation is the date at which the Valuation List comes into force. This raises the problem that the valuations required in respect of hereditaments to be entered into the Valuation List have to be made on a forward looking basis since it would be a physical impossibility to value all hereditaments on the effective day of the new Valuation List. Thus hereditaments are valued having regard to rental evidence received well before that date

and adjusted in line with professional judgment as to anticipated movements in rental values so that valuations are provided which will represent the rental value of the hereditaments concerned as at the date of revaluation.

The difficulties involved with this exercise will be obvious particularly during periods of rapidly changing values and in times where there are different degrees of movement in the values of different types of hereditament, *i.e.*, factories may be decreasing in value at a time when shops are increasing, and offices may be increasing in value at a different rate to shops, shops in one area may be changing in value at a different rate to those in another area, and so on.

These difficulties have been recognised and legislation now provides that, in the event of a future revaluation, an antecedent valuation date may be prescribed. Thus there could be a valuation date of 1988 for a revaluation in 19 0. This would ease the practical problems considerably and assist in ensuring that a fair relationship existed between the rating assessments of different types of hereditament in a particular area and between adjoining valuation areas.

#### *Proposals*

During the currency of a Valuation List it is necessary to make alterations to that List and the time of valuation in this connection is the date of the relevant proposal, *i.e.*, the document that proposes the alteration (see Rating Procedures).

The date of proposal is taken so that any changes in the physical nature of the hereditament or changes in the locality, or any changes in the use to which the hereditament is put can be reflected in the rating assessment at that date. However, in the absence of any statutory provision to the contrary this would mean that any changes in the general level of rental value between the date of revaluation and the date of proposal would also be reflected in the valuation and, in times of increasing rental values, new properties would be valued at a higher level of value than comparable properties already in existence at the date of revaluation, and any existing hereditament that was the subject of a proposal might also be given a higher basis for valuation than it had at the date of revaluation. This would produce inconsistent, and therefore, unfair, levels of assessment for similar properties.

To overcome this problem legislation was introduced to require that valuations for rating have regard to what is referred to as the 'tone' of the Valuation List. In simple terms, the 'tone' is the level of value established in respect of hereditaments contained in a Valuation List.

The General Rate Act 1967 provides that when making any alterations to a Valuation List, the value as at the date of the proposal shall not exceed that which would have been ascribed if the heredita-

ment had been in existence at the time of the revaluation, i.e., the date by reference to which other hereditaments in that Valuation List have been valued.

Thus, for example, the 'tone' for post-war factories of a particular type and size may be £5 per square metre in a locality which means that the general level of value established for that type of hereditament has been settled at £5 per square metre by discussion between the Valuation Officer and ratepayers and or their representatives and, if necessary, appeals to local valuation courts and/or the Lands Tribunal. The legislation regarding 'tone' provides that even if rental values have increased to say, £10 per square metre, for that hereditament as at the date of the proposal, new or altered assessments cannot be ascribed a value in excess of the 'tone' value of £5 per square metre. Thus there is an upper limit to value and that limit is set by the 'tone' value at the date of revaluation.

The same is not however true of decreases in rental values. If it can be shown that, during the currency of a Valuation List, the annual rental value of a particular hereditament, or class of hereditament has fallen below the established 'tone' level, reductions in the rating assessments of the hereditaments concerned to their rental value as at the date of the proposal are appropriate.

#### REBUS SIC STANTIBUS

It is a well established principle of rating valuation that a hereditament shall be valued as it in fact exists at the date of valuation. Its rental value for rating purposes is based upon the assumption that the property is vacant and available to let.

#### *The Physical Hereditament*

The hereditament must be taken as it stands at the date of valuation. However, the actual condition of the property may be disregarded if it is in disrepair and it can be assumed that the hypothetical landlord would, as part of his obligation under the statutory definition by which annual value is determined, put the property into a reasonable condition before letting it. This is a necessary safeguard to prevent owners of properties allowing them to fall into disrepair in an attempt to reduce their liability for payment of rates. However, in case of extreme disrepair or structural defect, it may be unrealistic to assume that the hypothetical landlord would spend money to put the property into good repair and the valuation for rating purposes may in those cases have to be reduced substantially to reflect the prevailing condition of the hereditament.

Another variation to the general principle that a hereditament must

be valued as it stands is that minor alterations of a non-structural character such as a prospective incoming tenant might envisage when making his rental bid can be taken into account.

Similarly, in exceptional cases, structural alterations which can be regarded as so minor as to be *de minimis* may not be precluded from consideration. This may be particularly important when considering the potential range of possible uses to which a hereditament may be put.

#### *Use of Hereditament*

The concept of *rebus sic stantibus* requires the rental value not only to be of the hereditament as it stands at the date of valuation, but also the value is to reflect the use to which the hereditament is put at that date.

However, this requirement does not mean that the hereditament can only be valued on the basis of its actual use. It has to be assumed that the hereditament is available for a use which falls within the same mode or category of use as that to which the property is currently put. Thus a shop is to be valued for rating purposes as a shop, but not any particular kind of shop.

Whether or not a use that is different to the existing use, or within the same mode or category of use, can be envisaged will be dependent upon such factors as the physical characteristics of the hereditament (in respect of which minor changes may be envisaged as explained above) and any limitations imposed upon the use of the property.

Some legal restrictions on use can be ignored, for example, restrictive covenants contained in an actual lease of the premises, whereas other legal constraints cannot be overlooked, for example, limitations upon the use of particular premises by virtue of statutory provisions. The question of availability of planning permission for an alternative use that is within the same mode or category of use as the existing use is a relevant factor to take into consideration, although the mere fact that planning permission for a particular use does not exist as at the date of valuation does not preclude the possibility of that use being taken into account for valuation purposes.

The practical significance of having regard to a wider range of use possibilities than merely the actual use to which the hereditament is put is to widen the valuation base, i.e., to allow a sufficiently wide range of uses to provide reliable evidence of rental value. For example, there may be little evidence of the rental value of an agricultural machinery repair garage but if the building concerned is physically suitable for workshop use, and it can be assumed that such use is within the same mode or category of user as an agricultural machinery repair garage, then there is far more reliable evidence of rental value available in

respect of workshops from which to derive a rating assessment for that hereditament.

#### RATING PROCEDURES

Valuations for rating purposes are prepared by the Valuation Officer who is a public official appointed by central government to fulfil the statutory duties prescribed. These duties include the preparation of a Valuation List which contains details of hereditaments in each rating area showing the address of the properties concerned, a description of the property, the values relating thereto, and an assessment number which is unique for each hereditament.

The Valuation List, once prepared, is sent by the Valuation Officer to the Rating Authority for the particular area, and the Valuation Officer is responsible for advising the Rating Authority of changes to the Valuation List that take account of alterations to hereditaments contained in the List or the addition of new properties not contained in the Valuation List at the time of its preparation.

The Rating Authority is the Local Authority which administers the collection of rates. The Rating Authority decides each year how much revenue they require to be raised by means of general rates and derive the rate in the pound by dividing the required revenue by the total rateable value of the hereditaments in the Valuation List for their rating area.

The Rating Authority then sends out rate demands to the occupier of each hereditament setting out the rateable value of the hereditament, the rate in the pound determined by the rating authority, and the resultant sum of money demanded by way of general rates.

Although there are some limited opportunities for ratepayers to appeal against the rate in the pound determined by the Rating Authority, the main line of appeal open to ratepayers is against the rating assessment of the hereditament they occupy rather than directly against the amount of rates they are required to pay.

The procedure whereby ratepayers can appeal against the assessment of the hereditament they occupy is by serving a proposal upon the Valuation Officer requesting an alteration in the existing assessment, or by objecting to a proposal served by the Valuation Officer to either amend the existing entry in the Valuation List or insert a new entry in the Valuation List.

Upon receiving such an appeal the Valuation Officer will discuss the matter with the ratepayer concerned and endeavour to resolve the appeal by agreement. If it is not possible to reach agreement in this way, the appeal may go forward to be heard by the Local Valuation Court which is an independent statutory organisation with autonomous

local offices quite separate from either the Valuation Office or the Rating Authority. Local Valuation Courts usually consist of voluntary members nominated to the Local Valuation Panel who meet to hear and determine rating appeals which cannot otherwise be resolved.

A further appeal from the decision of the Local Valuation Court is possible to a body known as the Lands Tribunal whose members are appointed on a permanent basis by the Lord Chancellor and are usually either experienced valuers or lawyers. The Lands Tribunal is the final court whereby questions of valuation can be determined, but appeals on points of law may be made beyond the Lands Tribunal to the Court of Appeal and in exceptional cases, the House of Lords. It will be appreciated that the foregoing is an extremely simplified outline of the somewhat complex procedures that are involved in the collection of rates and the maintenance of Valuation Lists.

### STATISTICS

Table I shows United Kingdom revenues from local authority rates in each year since 1978-79, including an estimate for 1984-85, and distinguishes between commercial and domestic rates.

TABLE 1 REVENUE FROM LOCAL AUTHORITY RATES

	(£ in billion)						
	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
Domestic*	2.4	2.8	3.7	4.5	5.1	4.8	5.1
Commercial	1.7	1.9	2.5	3.1	3.5	3.8	4.0
Industrial	[0.7	0.9	1.0	1.3	1.4	1.4	1.5
Other	1.1	1.3	1.6	1.9	2.2	2.3	2.5
Total	5.9	6.9	8.8	10.8	12.2	12.3	13.1

\*Net of domestic rate relief grant and rate rebates.

Number of hereditaments both domestic and non-domestic along-with their rateable value are given in Table 2.

TABLE 2 NUMBER OF HEREDITAMENTS AND ASSESSED VALUE

England and Wales	No. of Hereditaments	Rateable Value £
Domestic	19,055,606	3,766,588,458
Non-Domestic	3,772,115	3,964,077,420
Total	22,827,721	7,730,665,878

NOTE : The statistics are as at March 31, 1984.

#### PROPOSALS FOR REFORM OF THE RATING SYSTEM

Over the years there have been many proposals for reform or alteration of the existing rating system but perhaps the most significant in recent years was the Committee of Inquiry appointed in 1974 under the Chairmanship of Sir Frank Layfield to review the whole system of Local Government Finance in England, Scotland and Wales. As the Report itself stated, a review of Local Government Finance has to contend with great problems not the least of which is the daunting scale of the operation.

The Layfield Committee reported in May 1976 and referred, *inter alia*, to complaints by the public relating to the rating system. The Report stated that complaints about rating concentrated on two themes: (a) the unfairness of the rating system, and (b) the size of the increases in rate demands. Underlying both types of complaint was a deep concern about Local Authority spending. The increase in rate demands referred to in that Report were the unprecedented increases that took place in 1974 following Local Government Reorganisation.

The most widely expressed criticism was that there was no apparent link between the sum of money demanded and the ratepayers' ability to pay. It was frequently pointed out that the rating system took no account of the demands on local services made by various households. There was a general feeling that payment for services received should be related more closely to the use made of them. These complaints centred mainly on domestic properties but similar criticisms were made in the non-domestic sector. Many businesses pointed out that because rates apply only to part of the capital element in their costs, rating affected some types of businesses more severely than others. Small businessmen in particular claimed that they were being disproportionately burdened. It was suggested that profit would be a fairer basis for local taxation than rental values. The rating system was also criticised for its failure to respond to the differences in demand on local services made by different types of commercial and industrial concerns.

Much complaint also concerned the methods of assessing rateable value. These methods were said to be extremely difficult to understand and normally to defeat the layman who attempted to do so. It was said that rating assessments made of similar houses in similar localities of different Local Authority areas varied substantially, and these variations did not correspond to their real values or to the quality or amount of services available to occupiers.

The erratic and unsatisfactory history of revaluation in England and Wales in the last 30 years was another cause for complaint. The impact of large increases was particularly severe for those whose

property had been re-assessed in the revaluation in 1973 to give an above average increase in Rateable Value. This revaluation was the first for a decade and changes in Rateable Value were in many cases substantial. The re-assessments led in some cases to rate demands several hundred per cent above the last year before the revaluation.

It will be appreciated that property values can change dramatically over the years and if Valuation Lists are to reflect these changes in values then they need to be brought up to date at regular intervals. Parliament's intention was that revaluation for this purpose should be undertaken at intervals of five years but since 1950 the programme has been interrupted by statutory postponements mainly because of conflicting political pressures. Instead of regular revaluations to reflect current values at 5 yearly intervals, there have only been 3 since the World War II namely in 1956, 1963 and 1973. On each occasion when a revaluation has been postponed the immediate reasons may have then appeared adequate but the effect on the rating system has been extremely damaging. The changes in rate liability which occur at the time of revaluation, owing to the large variations in values after long years of standstill, have contributed much to the unpopularity of the rating system. A recent example of the public outcry following a revaluation was seen in Scotland in 1985 and this has led to increased pressure for reform or substantial alteration of the existing rating system.

Returning to the Layfield Committee's Report, much of their consideration was devoted to the possibility of alternative sources of Local Authority income, for example, assigned revenues from National Taxation, local indirect taxes on expenditure, local taxes on commerce and industry, local taxes on personal incomes, low yielding revenue sources, and various combinations of these alternative possibilities.

The Layfield Committee examined the effects of rating in comparison with other taxes and came to the conclusion that the abolition of rating would not be justified in terms of improving the incidence of taxation. Moreover, they said it was necessary to retain rating as a local tax in order to provide local authorities with a tax of their own. The Report considered it was necessary to retain the rating of non-domestic as well as domestic property in order to preserve the financial link between local authorities and industry and commerce in their areas that recognised their complementary interests.

The Committee's other main recommendations concerning rating were that for domestic property in England and Wales the rating system could only be maintained on the basis of capital values. They recommended that preparations for a revaluation on this basis should be put in hand as soon as possible. The Committee said that the relative rate burdens of domestic and commercial and industrial

property should be determined by the government having regard to the burden of rates on both sectors. They also said that rating should be applied to the widest possible range of properties which would include agricultural land and buildings. They recommended that the method of assessment of public utilities should be in the hands of an independent body and that Crown properties should be assessed in the same way as other similar properties except where there were compelling reasons for not doing so. The Committee made no recommendation for any change in the rating of charities. The Committee stated that where rating assessments are made on the basis of rental values (*i.e.*, for non-domestic properties in the event of their recommendation being implemented) they should be made direct to Net Annual Value instead of Gross Value.

The Layfield Committee made it quite clear that frequent and regular revaluations were essential. They also proposed modifications of the arrangements for appeals against assessments designed to protect the interests of ratepayers while improving the prospect of regular revaluations.

Following the Layfield Committee's Report in May 1978 the Secretary of State for the Environment announced that there would be a General Revaluation to have effect from April 1, 1982. In making this announcement, the Secretary of State confirmed that the government remained committed to the change in the basis of valuation of domestic property from rental to capital value, but due to difficulties in obtaining the necessary legislation it had been decided to prepare the 1982 Valuation List on the existing basis, *i.e.*, rental value instead of capital value for domestic properties.

Following the change of government in May 1979, the newly appointed Secretary of State for the Environment announced the cancellation of the General Revaluation then in progress. He explained that cancellation of the revaluation would provide the opportunity for government to sort out the longer term future of the rating system.

Following this announcement there was a Green Paper prepared by the Secretary of State for the Environment in 1981 entitled "Alternatives to Domestic Rates".

The Green Paper repeated the criticisms already outlined in the Layfield Report regarding the unfairness of the burden of domestic rates between different types of household, and between people occupying similar properties in different local authority areas. Also that domestic rates bear too little relationship either to ability to pay or to the use that is made of local government services. It also reiterated the concern expressed by those professionally involved in the rating system that there was insufficient market information available to allow a further revaluation to be carried out on the present basis of

rental values for domestic properties. The Green Paper considered 3 possible new forms of local taxation which were a local sales tax, a local income tax and a poll tax. The government had examined a range of other suggested new local taxes but concluded that they did not warrant further serious consideration. These rejected possibilities included local duty on petrol, alcohol or tobacco; local vehicle excise duty; charges for licences for the sale of alcohol or petrol; and local payroll tax. Another alternative considered was to replace the yield from domestic rates with an assigned share of national tax or taxes.

The Green Paper concluded that probably none of the possible new sources of local revenue identified could be used on its own as a complete replacement for domestic rates. It was suggested that a local sales tax or local income tax combined with either a poll tax or domestic rates retained at a lower level of yield could replace the present system but this would entail correspondingly higher administrative and compliance costs.

Yet another Parliamentary Committee was set up to investigate the position and that Committee published a Report in 1982. Amongst the various recommendations the Committee concluded that "The abolition of the domestic rating system would not command widespread support and would not be justified". They also said that future revaluations should be on a capital value basis for domestic properties and the interval between revaluations should be no greater than 3 years and be secured by law.

In 1983 the Secretary of State for the Environment in a written answer to a Parliamentary Question stated that the government had concluded after comprehensive consultations following the publication of their Green Paper and in the light of the Second Report from the Environment Committee for the Session 1981-1982, (referred to in the above paragraph) rates should remain for the foreseeable future the main source of revenue for Local Government.

Later in 1983 the government produced a White Paper entitled "Rates—Proposals for Rate Limitation and Reform of the Rating System" in which they confirmed their decision that rates should remain for the foreseeable future the main source of revenue for Local Government. In this White Paper, the government concluded that rates did have advantages although they were far from being an ideal popular tax. It was pointed out that rates were highly perceptible to ratepayers and they promoted accountability. They were well understood, cheap to collect and very difficult to evade. It was said that rates act as an incentive to the most efficient use of property. No property tax could be directly related to the ability to pay, but rate rebates and other financial reliefs had been designed to reduce hardship.

The government having reached the conclusion that rates were to be

retained as the major source of revenue for the foreseeable future accepted the need for a revaluation to rectify distortions arising from changes in relative values of some categories of non-domestic properties. The government also stated in that White Paper that they were urgently considering a case for a domestic revaluation but intimated that such a revaluation could not take effect until towards the end of the 1980s.

Following the revaluation in Scotland that took place in 1985, and the public outcry that followed, the Government yet again looked for alternatives to the existing rating system. A further Green Paper was published in January 1986 and is considered in more detail below.

#### REFORM—THE PRESENT POSITION

In the latest Green Paper published on 28 January, 1986 the government state the following:

The present local government finance system does not strengthen local accountability. Local authorities, main income sources are non-domestic rates, domestic rates, and exchequer grant. All of them are unsatisfactory:

- Non-domestic rates are paid by businesses and public institutions to whom local authorities are not directly answerable.
- Domestic rates are paid by a minority of local electors, and vary in a way that now has little or no regard to the use made of local authority services. The burden of rates is carried on too few shoulders.
- Central Government grants are calculated in a very complicated way that conceals the real cost of local services from the local electorate.

So in almost every respect the existing local government finance system makes it almost impossible for local electors to relate what they pay to the services provided.

The main features of the revised approach contained in the Green Paper are:

- A national non-domestic rate with the proceeds distributed to local authorities in proportion to the numbers of adults in their area;
- A phased replacement of domestic rates by a community charge which each authority would set and which would be paid by every adult resident in its area;
- A grant system which compensates for real differences in local authorities needs, and provides additional help in the form of a flat

rate sum per adult.

The Green Paper goes on to say:

Taken together with other recommendations on capital expenditure, fees and charges, and local authority budgeting, these proposals amount to the most radical restructuring of local government finance this century. They will provide both a new impetus to local democracy and a much fairer basis of local taxation.

The Green Paper refers to the 'poor linkage' between those who vote and those who pay and cites by way of example that there are over 35 million electors in England of which about 18 million are liable to pay rates. Of the 18 million who are liable to pay rates, only about 12 million actually pay their rates in full. Three million receive partial assistance with their rates and the remaining 3 million receive full relief from their rates bill.

To spread the burden of paying for local authority's services across a broader cross section of the local voting population the government proposes to introduce a new flat rate charge—called a community charge—for local services, and this will be payable at the same rate by all the adult residents of a local authority. The government say that such a charge would be more perceptible than rates. Each local authority would determine the level of its own community charge, and all adult residents would be liable to pay, not just householders. The government say that if each local authority is to be accountable to those who have to pay for its expenditure, clear and comprehensible price signals must be given to all local taxpayers. The government believe that a community charge will achieve this objective, since all local adult residents will face similar bills.

It is, therefore, proposed that existing domestic rates will be completely replaced by the new community charge. However, there will be a transition period during which the community charge will be introduced at an initially low level and domestic rates will continue to be payable albeit at a reduced rate to reflect the income generated by the community charge. The government anticipate that the transition period may take some 10 years after which domestic rates will be completely abolished and the community charge will have taken the place formerly occupied by domestic rates.

The government raise the following arguments to substantiate their claim that non-domestic rates are not a satisfactory local tax:

- They have an arbitrary and erratic effect over time and in different areas on the competitiveness of business.

- They fall immediately on those who have no vote to influence local spending decisions.
- They are ultimately borne by people who are unaware of how these extra costs arise and may not live in the area of the authority imposing the rate.
- They conceal the true costs of local services, and of marginal increases in spending, from domestic ratepayers.
- They make complicated grant arrangements—which further distort the impact of changes in expenditure—inevitable.

The government consider three possible solutions to the foregoing problems:

1. The complete abolition of non-domestic rates with the lost revenue being made up from another source;
2. Means could be sought whereby local authorities would be made generally answerable to their business ratepayers; or
3. A means of eliminating the damaging variability of non-domestic rates could be introduced.

Options 1 and 2 are not considered satisfactory by the government and therefore they propose to resolve the problem by restraining the variability of non-domestic rates by transferring to Central Government the power to determine the non-domestic rate poundage, although the proceeds of the non-domestic rate will continue to be applied in support of local government spending. Clearly this will mean some reduction in local government's control of its revenues.

The government intend that the proceeds raised by means of this national non-domestic rate would be pooled and redistributed to local authorities in such a way as to lower the rate of the local domestic tax by the same amount per adult in all authorities. The government argue that this simple process of pooling and redistribution would replace the complicated equalisation of non-domestic rateable values which presently takes place within the block grant arrangements.

The government recognise in the Green Paper that since non-domestic rates are to continue as a major source of tax revenue it is important to ensure that they are levied on as firm and consistent a base as possible. Since the 1973 revaluation, values have become badly out of line with up to date rental values in some areas and some sectors of the market. The Valuation Office has therefore been asked to start work on a revaluation of non-domestic properties with a view to preparing a new Valuation List in time for introduction on April 1, 1990. The revaluation will be based as before on evidence of rental values.

In the long term, after the initial non-domestic revaluation has been completed, the government believes it is essential to return to regular revaluations for the non-domestic sector. These could be at five yearly intervals as provided for in existing legislation, or an alternative considered by the government might be to introduce a process of 'rolling revaluation' for the non domestic sector. For example, one fifth of all properties might be revalued each year. The information obtained might then be used to develop indices which could be applied to the properties which were not to be revalued that year. Such an approach could substantially reduce the degree of turbulence associated with a quinquennial revaluation of all properties. If a satisfactory system of rolling revaluations could be devised, the government consider it would be possible that instead of indexing the nationally determined non-domestic rate poundage to the rate of inflation, the poundage adopted could be maintained at the same level but the buoyancy of rateable values may cause the yield to rise in line with the increase in non-domestic property values. The government indicate that they intend to issue a separate consultation paper on the practical issues arising from a system of rolling revaluations.

The government intend that the national non-domestic rate poundage will be introduced at the same time as the new non-domestic rateable values, *i.e.*, April 1, 1990.

The government point out that the existing grant systems for local authorities have grown up because although it is important for the proper functioning of local government for it to have its own sources of income, it would not be appropriate to expect the whole cost of providing local authority services in each area to be met solely by the local taxpayers of that area. Thus there is a continuing policy that services that are national in character, such as education, or of national importance, such as the police force, should be provided to an acceptable standard country wide whether or not the taxpayers of particular areas can afford to pay for them. Over the last twenty to thirty years, government grant systems have sought to achieve this objective by 3 different means: compensating for differences in expenditure needs between local authorities; compensating for variations in local authorities' taxable resources; and paying a substantial proportion of local expenditure out of national taxation.

The government proposes to introduce a new grant system with just two main elements :

1. A needs grant to compensate authorities for differences in the cost of providing a standard level service to meet local needs; and
2. A standard grant, to provide an additional contribution from national taxation towards the cost of local services.

The government argue that the advantages of the proposed new grant system are that it would be inherently simpler than the existing systems, it would be stable, and the grant would fully compensate authorities for variations in need.

The main proposals in the Green Paper may be summarised as follows:

Non-domestic rates should in future be set by central government as a uniform rate in the pound. The proceeds would be pooled and redistributed to all authorities as a common amount per adult. The introduction of such a scheme would be accompanied by revaluation of non-domestic properties.

Domestic rates should be phased out over a period up to ten years and replaced by a flat rate community charge payable by all adults.

There would be a separate community charge register in each area. The grants system should be radically simplified. It would consist of needs grant which would compensate the differences in what authorities needed to spend to provide a comparable standard of service, and standard grant which would be paid to all authorities as a common amount per adult. The formula for assessing authorities' relative spending needs should also be reviewed with a view to making it less complex and more stable.

Distributional changes arising from the introduction of the new grant and non-domestic rate arrangements would be offset by a system of self financing adjustments.

The government state that the foregoing proposals would widen the tax base so that virtually all adults would have a financial stake in the affairs of their local authority, they would ensure that the full costs or benefits of any changes in a local authority's expenditure would fall on its domestic taxpayers alone; and, while non-domestic ratepayers would still make a significant contribution to local government expenditure overall, authorities would no longer be able to finance extra expenditure by taxing them at their own discretion. Together these reforms would ensure, in the government's opinion, that the accountability of local authorities to local electors and taxpayers would be greatly enhanced.

The foregoing is an extremely brief and simplified digest of the main points of a long and complex Green Paper which itself recognises the need for more detailed consideration and research relating to several aspects of the financing of local government. The Green Paper invites comments and, having regard to the radical nature of many of the proposals, there will no doubt be a prolonged period of debate on the major issues concerned. □

## *Delhi 2001—Problems and Perspectives\**

SAYED S. SHAFI

DELHI IS like no other city in the country. Apart from its unique historical antecedents as the nation's capital, it has been and will always be a centre of attraction for all Indians. As the country's showpiece, every now and then it receives extraordinary injections of capital investment, the last being for Asiad.

Reportedly over Rs. 1,000 crores were spent in a brief span of two years. Though the decisions taken in Delhi decide the future of other cities in the country, ironically, its own fate is determined by what happens (or does not happen) in its surrounding region, which, unlike Bombay, Calcutta and Madras, is outside the planning jurisdiction of the Delhi Administration.

Through a Gazette Extraordinary, the Delhi Development Authority has invited objections/suggestions with respect to "the extensive modifications which are being proposed in the Master Plan for Delhi, keeping in view the envisaged perspective for Delhi up to the year 2001." Legally speaking, this is simply to modify the Master Plan which came into effect in September 1962, and had a perspective through 1981. As the nature of the Delhi Development Act does not strictly provide for a new or second Master Plan, this methodology had to be resorted to which is in itself a matter worth pondering.

### PERSPECTIVE PLAN

To put the record straight the idea of a new Perspective Plan for Delhi was first mooted in February, 1973, by the Town and Country Planning Organization; it was suggested as one of the key recommendations arising from a Review of the Master Plan of Delhi (1973) which was coordinated by the writer of this article. The review recognized the compulsions of the changed circumstances and the new factors that had come into play and suggested certain structural changes in the urban pattern originally conceived.

\*Courtesy : *The Statesman*, Delhi, May 21-23, 1985.

It, however, warned that "all temptations and pressures to effect piecemeal changes in the land use plan should be firmly resisted; instead, it is absolutely essential to think ahead in an extended perspective. The review suggested: "Whatever modifications are required to be made should be considered as an outcome of a new and comprehensive planning exercise which should be undertaken to culminate in the preparation of a new Plan for Delhi and its region in an extended perspective through year 2001."

Apart from this very important recommendation, the review, the only one conducted since the legal enforcement of the Delhi Master Plan in 1962, suggested quite a few other measures as well. The review was submitted to the Delhi Development Authority and the Government of India for further action. However, it never saw the light of the day because it contained critical comments on the way the Master Plan was being effectuated both by the central government and the Delhi Development Authority; its critical evaluation, particularly of the implementation of the urban land policy which was leading to an unprecedented escalation of land prices, was not liked by the concerned authorities. As the review was never made public, no corrective measures were taken either by the Government of India or by the Delhi Development Authority, which under the Delhi Development Act is responsible "to secure the planned development of Delhi". Subsequently, quite a few violations of the Plan took place, and again, ironically by the DDA and the central and state governments.

The review had also pointed out the serious inadequacies of the Delhi Development Act, and in fact it was suggested that the Act be replaced by more appropriate legislation. Nobody took the review seriously with the result that even though a new planning exercise has been going on now for more than 10 years, the concerned authorities are shy to call the new effort a new Perspective Plan. This fact in itself is the source of many anomalies and untenable positions inherent in the Notification issued on April 6.

In offering constructive suggestions, the first question therefore is: Are these mere modifications to an existing Master Plan, or should the document be taken up as a new Perspective Plan? The nature and scope of a new Plan is, however, qualitatively different from those of modifications and amendments notwithstanding their extensive nature. On the other hand, if in the name of amendments/modifications a new plan is sought to be imposed, it amounts to a fraud on the citizen of Delhi.

A Master Plan for a metropolitan city furnishes a general framework of development addressed to the existing situation as it provides perspectives of development, and the strategy to attain the described goals and objectives. It is not an end by itself nor is it a blue-print. Many things are implicit and are to be further refined. The plan,

therefore, has to be based on a broad consensus and perceptions of not only the plan-makers but also of the public. Later, it has to be made explicit through a number of plans and programmes covering vital aspects affecting the future growth and development of the city. In a participative democracy, a broad consensus can only be developed through active debate of different groups, elected representatives and the enlightened citizenry. Such a plan therefore should have a theme and philosophy to help guide the future, for only then could one visualize the way various components of development emerge in the envisaged given perspective. Moreover, the Plan should also suggest the policy measures to manage and ensure a healthy environment: in short it should aim to enhance at minimum acceptable level, the quality of life for the projected population. To furnish suitable guidelines of development, the plan, must enunciate its basic premises followed by a clear definition of goals and objectives and the alternative paths of development strategies to attain them. Unfortunately, the present document does not reveal any such goals nor the strategies to attain the development objectives.

It may be worthwhile to recall that the original Master Plan for Delhi preambled that "the myriad problems of Delhi are far too complex in nature to be tackled within the narrow confines of the Union Territory alone and that, therefore, the plan should be formulated in a regional metropolitan context identifying spatial affiliations and inter-linkages".

The basic premises were defined as: (a) restraining the size of population to keep the growth of the national capital within manageable limits; (b) comprehensive scale of planning; (c) optimum location of work centres in relation to housing, in order to secure balanced development and keeping transportation demands to a minimum, and (d) a synthesis of various Dillis, old and new, by forging positive linkages and ensuring a minimum standard of civic norms and amenities for all.

In support of the above premises, a number of policy measures were indicated by the plan, one of the most cardinal being to develop the Delhi Metropolis in a regional metropolitan context and in a poly-nodal-polycentric form. To effectuate the plan, a progressive urban land policy was enunciated. The urban land policy actually preceded the Master Plan; as against roughly 45,000 acres of developed and committed land then, the urbanizable limits proposed in the Delhi Plan 1962-81 was 1,10,000 acres. The policy envisaged acquisition of most of the proposed urbanizable land, its development and disposal in accordance with the plan. An initial seed capital of Rs. 5 crore (later supplemented by another Rs. 7 crore) was created for compulsory acquisition of the entire urbanizable limits and a part of the

green belt. The land so acquired was to be developed and disposed of in accordance with a well-conceived plan so as to effectuate the land use pattern envisaged by the plan.

#### EARLIER OPTIONS

The situation which now obtains is qualitatively different than when the first planning exercise was undertaken. Therefore, it calls for some fundamental changes in planning approach and methodology. For one thing, the earlier options are not now available; and another, the developments that have taken place during the past 20 years demand an altogether different strategy of development. The fact that it took the concerned authorities practically 12 years from 1973 to produce the new document is a sad commentary and a pointer to their capability in dealing with an increasingly complex situation in the brief span of the following 15 years before Delhi enters the 21st century.

#### DELHI 2001 : COPING WITH 15 MILLION

It is rather rare for a member of an earlier planning team to see the outcome of the first planning exercise. Delhi is lucky that most of the original planning team is fortunately available and keenly interested in what is now being envisaged through the year 2001 for the national capital and its metropolitan region.

Normally, the second planning exercise should commence with an appraisal of the situation that has emerged as a result of the developmental efforts in the past, its achievements, shortfalls, the persistence or accentuation of some problems. An important thing is to identify the causes behind the failures. Without such a critical appraisal, it is impossible to rectify the defects and correct the course of development.

#### NOT INFALLIBLE

After all, no plan, however, ably conceived can claim infallibility; the force of circumstances changes many assumptions, sometimes even the basic formulations. And the Delhi Plan is no exception. The scale and magnitude of the problems have changed, Delhi has emerged as a multi-functional metropolis with complex facets. At the time the first planning exercise was undertaken in 1956-58, Delhi was slowly emerging from the trauma of the country's partition : its population very nearly doubled from 7,00,000 to 1.4 million.

The Delhi of 1985 faces prospects which are truly mind-boggling : for one thing, the option of adding substantive additional acreage of virgin land for further urbanization is not now available even though

the new document suggests adding some 40,000 acres. Even if this land could be made available which is extremely doubtful, most of the new urbanizable land happens to be in the north-west of the Union Territory which is agriculturally the most productive. Land in the south has been usurped by gentlemen farmers (growing roses and sunflowers) and it would be virtually impossible to acquire and make it available for further urbanization.

As a result, the new document does not mention any more the inviolable green belt. It has simply vanished. Other prospects faced by Delhi are also horrendous. Never in its long history has the city faced the doubling of its population from around 7 million to 15 million and that too within a brief span of 15 years. Although the planners would like us to believe that as against the projection of 15 million the size of Delhi would be restrained to 12.8 million by the year 2001, the fact should not be overlooked [that contiguous to the urban limits of Delhi are the existing developments of NOIDA in the south and Kundli, etc., in the north. As one urban agglomeration therefore Delhi is most likely to exceed even the 15 million figure, if things continue more or less in the same manner as they have been in the previous two decades.

There is no doubt that the strategical location of Delhi is being actively exploited by the neighbouring states, but even otherwise, Delhi has undergone two major syndromes in the previous decade : the Emergency and ASIAD'82.

During the Emergency, among other ad hoc developments, more than 5,00,000 squatters were relocated in the so-called resettlement colonies, a majority of them on the eastern banks of Jamuna. Almost without exception these resettlement colonies have plots of 25 sq. yds., no more no less, in the process creating the phenomenon of the 'lumpen proletariat'.

The absence of any legal restraints for the planned development of NCR has led to the creation of the New Okhla Industrial Area: NOIDA which together with the adjoining areas east of the Yamuna has already more than 2 million people residing on the other side of the city, the majority of them traversing the river for employment. This has thus vitiated the land use pattern envisaged in the first Master Plan.

Moreover, a policy of drift has led to the terrible chaos and confusion in the central core of Delhi (Shahjehanabad) where nearly all the major wholesale trades remain concentrated. Failure of positive action has led to the appalling conditions within the walled city.

The second trauma faced by Delhi was ASIAD leading to massive investment estimated at around Rs. 1,000 crore from public and private sources which in turn attracted, according to one estimate, about 1 million people to Delhi for work. Most of them have stayed

on. The irony is that this huge investment has not done much to ameliorate living conditions in Delhi. It has meant an additional burden for localities such as Shahdara and Shahjehanabad which are providing shelter to the seemingly unwanted.

Aside from these two events and their consequences there are also other glaring failures. The following four are mentioned as they have a direct pertinence to the future development of the metropolis.

First is the non-development of the National Capital Region as originally envisaged despite the fact that the plan of the NCR was prepared and approved as far back as 1973, by the high-power NCR Planning Board with the Home Minister as its Chairman.

The second is the failure to de-concentrate certain Central Government offices from Delhi to selected towns in the National Capital Region and even beyond in other States of the Union. On the contrary, a large number of new offices besides headquarter of several public sector undertakings have been permitted to locate in Delhi against all considered advice.

The third failure is the total neglect of the central core areas of Delhi particularly of Shahjehanabad where conditions have become appalling. The chaos and confusion within the walled city defy description and is a sad commentary on the development authorities. It seems to be nobody's responsibility truly a no-man's land.

The fourth and foremost is the manner in which a progressive urban land policy has been subverted by the DDA which instead of making land available at reasonable prices for various purposes and needs and restraining land prices has in fact sparked an unprecedented escalation in land values. The entire social purpose of the land policy has been defeated by the haphazard and ad hoc manner this vital policy has been effectuated regardless of any spatial sequence or priorities of development.

The non-implementation of the National Capital Region has led to the location of industries mainly in the first tier of ring towns, but the absence of essential amenities and facilities such as decent housing, schools, health care, parks, play grounds has made Delhi a mammoth bedroom. And as if this was not enough, DDA itself has developed its Rohini complex in the north-west which is eventually to accommodate almost an additional million.

The reasons behind the above noted failures are many and complex but a basic one is the utter lack of realization that a Master Plan to be effective in guiding growth must be followed by systematic programming and in the case of Delhi dovetailed into the Union Territory's five year plans. As the first Master Plan stated "planning does not signify a single state of activity the preparation of plans. It signifies sanction and implementation". To be capable of implementation a

plan has to be programmed; that implies working out a sequence of development covering various localities of the metropolis, setting up priorities and finding the resources. All this is indeed part of the planning continuum, a ceaseless process of preparation, sanction and implementation.

#### CRITICAL QUESTION

The first critical question relevant to the future development of Delhi is how the 15 million population will be managed? How and where would the additional population be accommodated? What jobs are to be created and where? And what would be the transportation system required to cater to such a population? What would be the consequences in terms of basic essentials without which a city cannot function? How would minimum living conditions be ensured?

Let us review what is proposed in the first instance for the four basic elements of infrastructure: water, energy, sanitation and sewage disposal. Then there is the second set about the provision of minimum civic amenities: schools, parks, playgrounds and health facilities. The third set includes transportation shelter, jobs, etc. And, finally what would be the consequences of doubling the population in terms of environment and urban aesthetics?

#### DELHI 2001 : HEAVY BACKLOG OF PROBLEMS

The DDA document states that "the quality of life very much depends upon the available accessibility and the quality of the infrastructure that is provided". And further, "the rapid growth of the urban population demands augmentation of water, power, sewerage, drainage and solid waste management".

It acknowledges that the analysis of the present situation indicates "a crisis situation in metropolitan life and even water, the primary necessity of existence so far has not been adequately supplied". The plan document, therefore, urges advance action and management for the adequate provision of the essential infrastructure. In the first place, the prevailing situation in terms of water, sewerage, energy and solid waste is far below the targets set for 1981. For instance, as against 496 million gallons per day (mgd) for water the present availability is around 193 mgd; although the target for the sewer system was earlier set at 200 mgd the present requirement is 393 mgd.

According to the plan document, the present sewer system caters only to 118 mgd, while the projected figure for 2001 is 902 mgd. For power, the current requirement is 650 MW, while the availability is less than 500 MW. The demand estimate is 2,500 MW for 2001.

The situation about solid waste is no less horrifying: as against the current requirement of 2,568 tons, the present facilities are able to deal with less than 2,000 tons, whereas the projection for 2001 is over 6,700 tons per day.

#### YAMUNA WATER

As is well known, for water supply, Delhi has to depend primarily on the waters of the Yamuna, although it does get this supply augmented from several other sources as well. It has been suggested that after the completion of the Tehri Dam in Uttar Pradesh and three other dams in Himachal, all these should be obliged to contribute a major share for Delhi's future water requirements.

Even then, the balance requirement will have to be met through recycling of waste water at least for non-domestic uses. It is most unlikely that additional water would be available from a dozen sources identified in the document. While the supply rate mentions a norm of 80 gallons per capita per day, it has also been suggested that the minimum standard should at least be maintained at 30 gallons per capita per day.

Water, even at that reduced standard, may be difficult to get, given the present situation and the low pressures experienced in the existing water supply. It must be remembered that there are vast areas of Delhi which presently remain uncovered by any municipal water supply system. Even within the walled city of Shahjehanabad, as many as one-fourth of all dwellings are without municipal water; most others have water only for a few hours a day.

In terms of sewerage, to increase the system from the present 118 mgd to 902 mgd would be a gigantic task. Proper sewerage treatment in a metropolitan city is essential for healthy living and to check environmental pollution. However, the DDA document itself points out that the existing capacity of the sewer system is grossly inadequate, and as much as 70 per cent of the present population has no access to the regular municipal sewerage.

This results in the daily pollution of the Yamuna. Seven major outfall sewers daily dump their untreated sullage into, it a sad state of affairs after more than 20 years of planned development. Should we hope that the Yamuna, being the largest tributary of the Ganga, would be covered by the Prime Minister's project to clean the waters of the Ganga because without cleaning the Yamuna, it would be impossible to keep that holy river unpolluted.

The situation about solid waste disposal would become extremely serious considering that the quantity of garbage would increase from the present 2,058 tons to 6,735 tons per day by 2001. Compost plants

provide only a partial solution while the incinerators can create terrible pollution. Therefore, extremely careful and efficient arrangements will have to be made for augmenting the garbage collection and disposal facilities.

The new perspective projects Delhi's power requirement as up to 2,500 MW. The sources identified to meet the demand are the northern grid besides a large number of power plants from Kashmir to as far away as Singrauli in Madhya Pradesh. Bairasul in the hills of UP, a new thermal power station in Muradnagar, Rihand and Narora.

One cannot question the estimated energy requirement because against 46,000 manufacturing units, the new proposals forecast over 90,000 units as Delhi enters the 21st century. While the first Master Plan of Delhi discouraged the national capital from acquiring a predominantly industrial character by precluding the location of major industries, it would seem that the implementation of the new proposals would make Delhi probably the largest industrial centre in North India surpassing Kanpur and Calcutta.

As it is, as much as 25 per cent of the existing working force is engaged in manufacturing of one kind or the other, the new proposals would increase this percentage to almost 40 per cent making industrial employment the largest single occupation of the overall work force.

#### LAND USES

The document does not furnish any table on the composition or break-up of the existing or proposed land uses, nor does it indicate even the new urbanizable limits proposed. Therefore, no one would know for sure where the city stands in terms of urban limits. It does suggest, however, that as against 110,000 acres included earlier within urbanizable limits an additional area of some 40,000 acres should be added by acquisition.

The additional population is sought to be accommodated primarily by a sharp enhancement of the existing densities within the present limits from 5.45 million to 8.2 million by 2,000 while the remaining will be accommodated in the proposed extension areas. According to DDA's estimates, there are 1.15 mill on households living in different types of dwellings. This includes the resettlement and squatter colonies, urban villages, as also dilapidated houses. The present housing shortage has been estimated at around 30,000 dwellings together, the total number of new housing units required by 2001 has been estimated at 1.62 million. These are to be built in the next 15 years.

This would mean a construction programme of roughly 200 to 400

houses every day. After all, it took quite a few centuries for Delhi to reach the present stock of housing, and it seems virtually impractical to achieve the envisaged target or to augment the essential infrastructure given the brief span of time.

#### PRIME LAND

Transportation is proposed to be provided through mass rapid transit, the ring railway, light rail transit, tramways, buses and bicycles. Suggested are 40 km of the rapid transit system, 160 km of light rail transit and about 10 km of tramways. The cost would be Rs. 4,000 crore. It is difficult to foresee such an investment forthcoming even for the pampered capital of the nation especially when enough funds cannot be found to complete the rapid transit system for an ongoing project such as Calcutta Metro or for the completion of the Indira Gandhi Canal in Rajasthan.

With more than 60,000 acres of prime urban land at its command, DDA has emerged as the largest real estate developer in the world with a virtual monopoly in land. Its interest in planning, always minimal, has now been totally undermined and planning has been given short shrift. As the enabling legislation the Delhi Development Act has serious generic defects and inherent shortcomings; for one thing it does not provide for more than one plan as if a Master Plan is the be all and end-all, the only thing required to secure planned development. For another, the Act does not provide for an adequate planning framework that could be readily responsive to changing circumstances. The Act does not provide even for a full-time planning member. The existing institutional framework is inadequate and demands fundamental changes to ensure planning on a sustaining basis. The Act requires basic modifications to make it responsive to changed circumstances. An important provision to be made is to confer upon planners what is called the "power of mandatory referral" to safeguard against ad-hocism and piecemeal changes.

It is time to take serious note of the critical problem facing the nation's capital because its future cannot be ensured without giving priority to the planning of its metro-region called the National Capital Region. Delhi's planned development should commence from outside, with towns identified for priority development in NCR. There still is an opportunity, perhaps the last one, to save Delhi from the trauma of other metropolitan cities like Mexico, Sao Palo or nearer at home, Calcutta.

The perspective furnished by DDA in the Gazette Extraordinary is grim, yet the situation is not entirely hopeless if the decision-makers

at the helm realize the overall implications and serious repercussions of non-development of the region around Delhi. What the national capital needs is an earnest attempt to direct development along desired lines in a well-considered sequence determined after fixing appropriate priorities.

#### VITAL FACTS

It may be reiterated that a city's perspective plan is not a mere map or a blueprint of a building under construction. It is not an artefact. A perspective plan provides only a general framework; to be effective, Delhi would need a number of other plans, some functional, others spatial, covering the vital facts of city development, like shelter, transportation, environment, aesthetics, etc.

To guide future growth, the perspective plan has to be effectuated by series of intervening activities to be taken up subsequently. It is these activities which comprise the essential substance of a real plan, things that have to occur between the statement of a perspective and the concrete results. Implicitly, therefore, a plan may be said to comprise of a matrix of activities which are essential for its systematic implementation. Before a plan becomes a reality, what was once implicit must be made explicit. That, it may be seen, is the aim of planning. But to sustain planning on a continuous basis, the prerequisites are vision, courage and political will embodying an enduring commitment.



# *Analysis of a Decision: The Case of the Circular Railway Project for Calcutta (1947 to 1985)*

AMARTYA MUKHOPADHYAY

FOR THIRTY NINE years from its visualization to its, although partial, execution Calcuttans and their press have pleaded for a circular railway for a solution of their transportation problems. But transportation experts have not always spoken with one mind about its relative contribution to a solution of the problem. The central government and the state government, however, have shown scant regard for experts' opinions in their acceptance and rejection of the scheme at different times. The present paper seeks to show that decisions taken about the Circular Railway (CR), whether positive or negative, were largely political. Braybrooke and Lindblom have developed a typology of decisions and shown that 'technical' decision-making is considered to be most susceptible to the application of the rational choice model.<sup>1</sup> The importance of the present study lies in the fact that it shows that even technical decision-making is often influenced, to a large extent, by political, non-rational considerations.

Since railway construction of any type required clearance by the central government the responsibility for the delay was that of the central government. The responsibility of the central government becomes more clear from the fact that the Ring Railway for Delhi was planned much later but executed much earlier, though its alignment made it nearly certain that it would not attract sufficient commuter traffic to make it viable.<sup>2</sup> What Calcutta got was a long succession of expert committees. The suspicion haunts one that the main purpose of

<sup>1</sup>David Braybrooke and Charles E. Lindblom, *A Strategy of Decision*, New York, Free Press, 1963, p. 78, cited in Robert W. Rycroft and Joseph S. Szlyliowicz, "The Technological Dimension of Decision-Making: The Case of the Aswan High Dam", *World Politics*, XXXIII, 1, October, 1980, p. 40.

<sup>2</sup>See G.S. Khosla's article, 'Delhi's Ring Railway', *The Statesman*, Calcutta, December 1, 1982.

instituting these committees was 'output procrastination'.<sup>3</sup>

The paper would, in the following sections, pursue the entire course of decision-making about the CR on the part of both the central and state governments. Section I will deal with West Bengal government's search for the new system and the obstacles to its implementation before 1960. Section II will show the lack of coordination between the central and state governments' efforts to implement the CR up to 1968. Section III deal with the sudden reversal of central government's stand and state government's reaction. Section IV will be about the finally accepted alignment. Section V is the conclusion.

## I

### FROM 'SOFTWARE' TO 'HARDWARE' : WEST BENGAL GOVERNMENT'S SEARCH FOR NEW SYSTEMS

The government of West Bengal was not unaware that no big city of the size of Calcutta has been able to solve the problems of transportation and of peak period congestion through trams and buses alone.<sup>4</sup> Regarding solutions, however, while the scheme for an underground railway for Calcutta had been thought up by government itself in 1949,<sup>5</sup> the suggestion of a circular electric railway for Calcutta came from the central government.<sup>6</sup> Although West Bengal government had approached the central government to sanction the latter scheme, Dr. Roy, West Bengal government's then transportation minister, was not himself convinced that the proposed CR would solve Calcutta's problems. The reasons behind his doubts was the peculiar nature of Calcutta's city traffic, resulting from the concentration of most of the important government, semi-government and merchant offices in and around Delhousie Square, Calcutta's central business district. Dr. Roy regarded underground railway as the real solution.<sup>7</sup>

The technical factors which urged government to think of model

<sup>3</sup>See David Easton, *A Systems Analysis of Political Life*, New York, John Wiley and Sons Inc., 1965, p. 442, for the various purposes, ways and dangers of 'output procrastination'.

<sup>4</sup>West Bengal Legislative Assembly Proceedings. (WBLAP), 15.3.60, p. 7, Vol. 25, No. 2, pt. 8.

<sup>5</sup>West Bengal Legislative Assembly Proceedings, (WBLAP) 16.3.49, p. 217, Vol. 5, No. 1. Also see *The Statesman*, Calcutta, March 16, 1949 and *Anandabazar Patrika*, Calcutta, March 17, 1949.

<sup>6</sup>A circular electric railway for Calcutta had been suggested by the Calcutta Terminal Facilities Committee appointed by the Government of India in 1947. See *Traffic and Transportation Problems in Metropolitan Cities, Interim Report*, Metropolitan Transport Team, Committee on Plan Projects Planning Commission, New Delhi, The Manager, Government of India Press, Simla, May, 1967, p. 20.

<sup>7</sup>WBLAP, 12.3.56, p. 58, Vol. 14, No. 3; 15.3.60, p. 28, Vol. 25, No. 2, pt. 8.

innovation were that Calcutta's limited road space, accounting for only 6 per cent of the total urban area imposed limits on the number of buses that could be put on the roads.<sup>8</sup> With 310 state buses and 560 privately owned buses plying in Calcutta's streets in 1953, the maximum limit, specified by road experts, so far as bus service was concerned, had, according to government, already been reached,<sup>9</sup> and since traffic jams had become endemic in Calcutta streets in 1956, government had to look beyond conventional modes of surface transit for a solution to the problem.<sup>10</sup>

Government's search for new systems is, however, subject to criticism. Firstly, moving the central government for sanctioning the CR despite doubts about its problem-solving potential, and, secondly, deciding on an underground railway without going into the question of what form of rapid transit would be best suited to Calcutta indicates an absence of 'synoptic', 'rational deductive'<sup>11</sup> planning. For the non-implementation of the scheme of the CR before 1960, however, both bureaucratic bungling on the part of the central government and unfavourable technical factors were responsible. Three committees appointed by the central government had submitted favourable feasibility reports regarding a circular railway for Calcutta. The Calcutta Terminal Facilities Committee, appointed by the Government of India, in 1947, under the Chairmanship of Padmaji Ginwalla, to inquire into the problems of commuter dispersal from the two main railway termini of Howrah and Sealdah to the Central business district recommended the scheme of a circular railway. The suggested alignment was Dum Dum Junction in the north via Chitpur Yard, Hastings, Kidderpore Docks, Majherhat Kankurgachi Chord back to Dum Dum. The eastern and southern sides of the circle were to consist of existing lines, while the northern and western sections were to be formed by new lines running through Chitpur and following the route of the Calcutta Port Commissioners' Railway down the east bank of the

<sup>8</sup>WBLAP, 12.3.56, p. 78, Vol. 14, No. 3.

<sup>9</sup>WBLAP, 17.3.53, p. 14I7, Vol. 7, No. 2.

<sup>10</sup>WBLAP, 12.3.56, p. 58, Vol. 14, No. 3; 15.3.60, p. 7, Vol. 25, No. 2, pt. 8.

<sup>11</sup>The key elements of this 'rational choice model' are problem definition, elaboration of objectives and their analysis according to their costs and benefits and the selection of that alternative which maximizes utility. See Richard Zeckhauser and Elmer Schaefer, 'Public Policy and Normative Economic Theory', in Raymond A. Bauer and Kenneth J. Gergen (eds.), 'The Study of Policy Formation (New York, Free Press, 1958), 27-101. Many of the assumptions of this approach have been questioned by Herbert Simon. See *Administrative Behaviour*, (2nd edn.), New York, Free Press, 1957, pp. xxiii-xxvii. He pitted the concepts of "bounded rationality" and 'satisfice' against 'optimization' and 'rational choice', which according to him were impossible, and offered an 'organizational behaviour' model of decision-making. In the present case, however, consideration of even the limited range of alternatives, typical of a situation of satisficing, was absent.

Hooghly river to join the existing Budge Budge line at Majherhat. To avoid interference with port facilities the western side of the circle was to be located mainly on elevated structure. New connections north of Ultadanga and south of Ballygunge were to be provided to enable suburban trains to be worked through to the Circular Railway and a new connection to Vivekananda Bridge was to be provided too, so that trains from the Bandel line could be worked over the Calcutta chord railway through Dum Dum Jn. and on to the Circular Railway. The length of the alignment suggested was 21 miles.

The Government of India did nothing to implement the scheme. Instead, in 1953 it appointed another committee under the chairmanship of S. N. Roy to reconsider the scheme in the light of changed circumstances brought about by partition and other factors. The committee, by and large, agreed with the views of their predecessor and suggested that under the altered conditions existing in 1953 a larger portion of the west side of the CR could be developed as surface operation. Chitpur was to serve under the scheme as the main marshalling yard.<sup>12</sup>

Nothing was done till 1956 about the second plan too. In 1956 the Government of West Bengal approached the central government for a decision on the question. The latter's opinion was that although the scheme was useful it should not be taken up before the electrification of the Howrah Burdwan section in Eastern Railway was completed. The reason behind this decision was that "if this route is run on any other power than electricity the relief would not be very satisfactory."<sup>13</sup> This decision made it impossible to realize the scheme before 1960. In 1956, a committee appointed by the Union Ministry of Railways, under the chairmanship of Sarangapani, was working out the details of electrification of the Eastern Railway. This committee also favoured the introduction of a circular railway and made it part of the railway electrification scheme in stage III.<sup>14</sup> But although electrification was first introduced in the Eastern Railway in 1957 for stage I of the scheme,<sup>15</sup> for the second stage, which included Bally-Saktigarh line ('. B. chord), Calcutta Chord Link and Bandel-Naihati, Sealdah-Kalyani, Dum Dum-Chitpore, Kankurgachi-chord, Ballygunge-

<sup>12</sup>Traffic and Transportation Plan, Calcutta Metropolitan District 19.6-86, Calcutta Metropolitan Planning Organization, Development and Planning (T & CP) Department, Government of West Bengal, 1967, pp. 101-2. Also see Interim Report, Metropolitan Transport Team, 1967, p. 20.

<sup>13</sup>WBLAP, 12.3.56, p. 58, Vol. 14, No. 3.

<sup>14</sup>Interim Report, Metropolitan Transport Team, 1967, p. 20. Also see Suburban Railways (Indian Railways), Electrification Plan, 1956, cited in M.M. Singh and Abhijit Datta, op. cit., p. 5 (a). The plan provided for six stages of implementation.

<sup>15</sup>Report on Mass Transport System : Calcutta, Metropolitan Transport Team, Planning Commission, The Manager, Government of India Press, Simla, February, 1969, p. 13.

Budge Budge, Majherhat-East and West Dock Junctions, and Sealdah-Ballygunge links, electrification was nowhere near completion before 1960. Electric trains between Sealdah and Kalyani, on the Sealdah section began running only towards the end of 1963.<sup>16</sup> The Department of Railways had predicted that electrification of this stage would not be completed in less than three years after 1960. It was prepared to consider introduction of the CR only after that.<sup>17</sup> This decision was logical enough since electrification of many components of stage II was a prerequisite for an electrified CR provided for in stage III.

Yet the argument is not as invincible as it may at first sight appear. Introduction of the CR with trains hauled by diesel powered engines would not have provided the full answer. But it could have given a measure of relief which would have been welcome in Calcutta's extensive shortage of transportation facilities.

## II

### RATIONAL CHOICE VERSUS THE DREAM RAIL

The present section will show with what singleness of purpose the West Bengal government pursued the implementation of the CR and how in the process it threw to the winds expert opinions from its own planning agency that advised against it. This section would also show the completely uncoordinated way in which the Calcutta Metropolitan Planning Organisation (CMPO), the state government and the central government set about its implementation. But for the state government's importunity the scheme would, in all probability, not have been implemented.

In July, 1965 S. K. Patil, Union Railway Minister, made an announcement that a circular railway was a must if the problem of overcrowding in urban transportation was to be solved. There was, however, no decision on the alignment. The Planning Commission set up a committee to consider the technical, economic and management aspects of the scheme or of any other alternative system.<sup>18</sup>

The Calcutta Metropolitan Planning Organization (CMPO) and the consultants employed by it to study Calcutta's urban transportation problem did not, however, consider the CR, as already designed, feasible. In February, 1963 CMPO decided to undertake a traffic study in collaboration with the West Bengal Passengers' Association for the CR scheme, which was to analyse the commutation pattern in

<sup>16</sup>M.M. Singh and Abhijit Datta, *op. cit.*, p. 5 and 5 (a).

<sup>17</sup>WBLAP, 15.3.60, p. 28, Vol. 25, No. 2, pt. 8.

<sup>18</sup>Anandabazar Patrika, Calcutta, November 17, 1965.

the north suburban sections of the railways. In a meeting in the same month with the Calcutta Port Commissioners (CPC), CSTC, CTC, etc., it was estimated that 2.5 lakh commuters would find the scheme beneficial. The CMPO had been carrying on correspondence with the CPC and the Railways for the use of existing tracks in this connection, and a proposal was made to electrify CPC's tracks from Belgachia to Eden Gardens, as soon as electrification of Sealdah North Division was completed, to give some benefit to passengers coming from the northern suburbs, even before the scheme was implemented in its entirety.<sup>19</sup>

In the course of consideration of the scheme, however, CMPO found the alignments proposed by the Ginwalla and the Roy Committee difficult to operate. After studying the proposals for implementation of the first phase of the project for two years from 1962 together with officials of the Eastern Railway and the CPC the Traffic and Transport Wing of CMPO was confronted with many problems, viz., (1) practicability of carrying the line through the south side of the Chitpur Yard, (2) the stability of the river banks on which elevated sections of the line were to be carried, (3) potential interference with the working of the Port Commissioners' railway, and (4) interference with public access to the river ghats for religious purposes.<sup>20</sup>

CMPO's considered opinion was that in the backdrop of the increase in the requirements of the ER and CPC a much more elaborate and expensive alignment was necessary to minimise interference with their activities. The increased cost could easily outweigh the advantages of the CR. The conclusion was unequivocal that "unless a more reasonable plan is found, which now appears unlikely, the Circular Railway scheme is not a feasible project."<sup>21</sup>

Another consultant of the CMPO rejected the scheme altogether in April, 1964 and, in its place, recommended an elevated tram system on two routes. The North-South route was to extend for 6.4 miles, and the East-West stretch was to run for 3.2 miles to connect Sealdah with Howrah.<sup>22</sup> Yet in a joint discussion on September 19, 1964, the CPC and Railway authorities and West Bengal government's Transport

<sup>19</sup> *Anandabazar Patrika*, Calcutta, February 21, 26 and 27, 1963.

<sup>20</sup> WBLAP, 28.8.63, Vol. 36, No. 3, p. 88; 20.2.63, Vol. 35, No. 1, p. 40. Also see: *Improvement Programmes for Metropolitan Calcutta 1964-71*. Supporting Document No. 1. A Study of Mass Transport in Calcutta, 1964 (mimeo), CMPO, Government of W B. Development and Planning (T and CP), pp. 42-44. *Traffic and Transportation Plan*, CMD (mimeo) 1966-86, CMPO, pp. 10 to 11. Paul E. Garbutt, A Rational Rail Transit Plan for Calcutta for the CMPO (Mimeo), February-March, 1966, para 37 (c), p. 15.

<sup>21</sup> A Study of Mass Transport in Calcutta, 1964, CMPO, p. 44.

<sup>22</sup> Gerald H. Frieling, *Memorandum to John P. Robin (of Wilbur Smith and Associates)*, Subject: *Calcutta Mass Transport Study*, April 1, 1964, (mimeo), CMPO. Also see *The Statesman*, Calcutta, May 26, 1983.

Department adjudged the scheme as technically not unfeasible, and West Bengal government conveyed its consent to the central government so that it was treated on a priority basis in the 4th Plan.<sup>23</sup> Convinced of the usefulness of the CR for the solution of the urban transportation problem of Calcutta it had moved the Ministry of Railways in early 1965 to undertake a detailed survey and prepare a project report for the same.<sup>24</sup>

In November, 1965 the state government informed that a study team of experts had been appointed by the Committee on Plan Project of the Planning Commission in September, 1965 to inquire into the feasibility of constructing a CR in Calcutta, beside on the specific form of a rapid transit for Calcutta, and find out whether underground or elevated construction would be suitable. The central study team was to function with the help of a state study team. The latter and the CMPO cleared the scheme in time and the central study team recommended to the Government of India that the ER should undertake an engineering feasibility study of the project.<sup>25</sup>

The alignment which was to be conveyed, was, however, a different one and had been suggested in 1966 by the ER in its interim report on the feasibility of, and alignments for, the extension of suburban rail services to the central area of Calcutta to the Metropolitan Transport Study Team. The Metropolitan Transport Team (MTT) discussed the earlier alignment with the CPC, the Railways, the state study group, etc. Its contention was that the earlier alignments would not serve the purpose fully, so an alternative alignment was discussed with the concerned authorities in June, 1966.

A survey unit of Eastern Railway undertook a preliminary engineering feasibility study of the suggested alignments in June, 1967, six months after the promised date, and found the construction and operation of these alignments feasible. Its report was submitted in December, 1968. The proposed route was not, however, circular and the name of the project was fittingly changed from CR to "Suburban Dispersal Railway Line". One alignment was to extend from Dum Dum to Princep Ghat, and another from Salt Lake Reclamation Area to Ballygunje Railway Station. Another link between Bally and Ballyghat was proposed to enable commuters from the North of Howrah to come directly to Sealdah, or to the CBD area via the proposed dispersal line, without alighting at Howrah. Details of necessary construction, design of the routes, cost estimates and financial

<sup>23</sup>WBLAP, 21.9.64, Vol. 39, No. 3, p. 147.

<sup>24</sup>WBLAP, 17.2.65, Vol. 40, No. 1, p. 554.

<sup>25</sup>WBLAP, 15.11.65, Vol. 41, pp. 692-94; 26.9.66, Vol. 43, p. 582. Also see *Anandabazar Patrika*, Calcutta, November 17, 1965, and Interim Report, Metropolitan Transport Team, 1967, p. 1.

prospects of the scheme were also supplied.<sup>26</sup>

The views of the MTT regarding the feasibility of the scheme, and the benefits that would flow from it, differed drastically from the views of the consultants employed by the CMPO. From the origin-destination surveys conducted, the MTT estimated that nearly 50 per cent of the total working population expected to be employed in the CBD by 1976 would be benefited by the first dispersal line because of availability of direct service to the CBD from the northern suburbs, and of interchange facilities with other modes of transportation for further journeys. Avoidance of changeover, walking proximity to place of work in the CBD, reliability of service and journey comforts would be other benefits of the alignment.

The team was equally enthusiastic about the second alignment from Salt Lake Reclamation Area to Ballygunje. The ultimate development of the Salt Lake, Lake Town and Patipukur areas with an anticipated population of 1.5 million was estimated to create an immense need for transportation into and out of Calcutta. This large population was going to be provided with an efficient, electrified suburban railway for their work trips. Besides, this stretch was going to link directly the new township and the northern suburbs of Calcutta with the southern suburbs and parts of Calcutta, which were showing extensive industrial and residential development.

The second dispersal line was expected to reduce the peak commuter load on Sealdah and create potential for dispersal of 25,000 to 30,000 people in the south of Calcutta. An additional branch line along the western side of the proposed Salt Lake Township was to be connected with the main route. A high level station at Maniktala was to serve part of the Salt Lake Township and the developed areas of the Calcutta Improvement Trust. A population of 10,000 in 1974-75 and 143,000 in 1980-81 was estimated to be served by this section.<sup>27</sup> The Team advised reservation of a strip of land for the future second dispersal line through the Salt Lake area, and recommended that building construction activities on land falling under the alignment of the Salt Lake East and West Branches outside the township area should be frozen.<sup>28</sup>

Rights of way reservation for the proposed dispersal line through the Salt Lake area had also been recommended by a Ford Foundation Consultant to the CMPO, who, in the first place, considered the CR

<sup>26</sup>*Report on Mass Transport System, Calcutta*, Metropolitan Transport Team, 1969, paras 1.1, 1.2, 1.3, pp. 5-12. Also see *Anandabazar Patrika*, Calcutta, January 7, 1967 and *The Statesmen*, Calcutta, June 2, 1967.

<sup>27</sup>*Report on Mass Transport System*, paras 1.1 and 1.2, pp. 5-8.

<sup>28</sup>*Ibid.*, p. 8.

scheme unnecessary<sup>39</sup>, but if the scheme was implemented, considered the alignment of the second dispersal line, as per the MTT's proposals, inadequate since it simply skirted the fringe of the Salt Lake area.<sup>40</sup> In 1967 West Bengal government ordered a survey for reservation of a strip of land in Salt Lake area for future suburb: n railway extension<sup>41</sup>.

While the MTT foresaw an encouraging return on the capital cost of the Dum Dum Princep Ghat alignment, of about Rs. 290 million, it wisely ignored direct financial return as a factor to be reckoned with in schemes of this type. After a careful analysis of the indirect economic returns or 'external economies' of the scheme, which included: (i) the gain in working time and efficiency in the establishments and enterprises where the commuters work (hence a direct benefit to employers), (ii) removal of congestion in trams and buses and, consequently, more efficient and speedier services by them, and reduction in fare evasion, and (iii) the opportunities afforded to the Railways to put their existing facilities in and around Calcutta to better use, e.g., better planning and implementation of the main services. and even of the considerable direct profitability of the scheme, if the planning horizon was appropriately widened, the Team sounded a note of warning: "in the situation which now exists in Calcutta now and with the minimum growth that one can assume, the social and economic cost of *not* having an efficient transport service for entry into the city will be stupendously large".<sup>42</sup>

The consultants of the CMPO were not so sure of the benefits of the scheme. Thus Paul E. Garbutt, of the London Transport Board, while drawing up a Rational Rail Transit Plan for Calcutta for the CMPO in early 1966 pointed out that as with practically all schemes attempting to combine the 'outer suburban' and 'urban' functions in one operation, the CR would serve neither purpose satisfactorily. It was contended that for the outer suburban traffic (particularly from

<sup>39</sup>Reino Castren (Chief of the Rapid Transit Planning Office of the City of Helsinki, Ford Foundation Consultant to CMPO during the months of January to June, 1968), *Papers on The Mass Transit Problem of the Calcutta Zone of Influence* (mimeo), April 19, 1968, pp. 10 11.

<sup>40</sup>According to Castren and L.C. Wenn the distance from different parts of the Salt Lake area to the proposed station was rather long and located in a contradictory direction of travels. The alignment from the Salt Lake station to the central area of Calcutta was rather devious. The strict network system forming the circulation plan of the Salt Lake area does not provide adequate service to the station. They proposed two alternative alignments both of which would traverse the very centre of the Salt Lake city development through the planned Central Park Area so that the residents of Salt Lake township and of Manicktala were benefited more. See Memorandum to Commissioner, B.C. Ganguly, from Reino Castren and L.C. Wenn. Subject : *Rights of Way Reservation of Mass Transit System for Manicktala and Salt Lake Area*, 18.4.68, pp. 1-5.

<sup>41</sup>*The Statesman*, Calcutta, March 29, 1967.

<sup>42</sup>*Report on Mass Transport System*, para 1.3, pp. 9-12.

the south side) the route would be unduly circuitous. Other arguments against the CR were as follows: (1) Of the local urban traffic within Calcutta only the comparatively small peripheral movement would be attracted, and the casual off peak urban traffic would contribute very little towards mitigating the poor financial prospects of the scheme. (2) The line would be difficult to operate and have all the problems inherent in the working of any circular railway with through running from other lines, e.g., heavy fouling movements over a number of flat junctions (which could be avoided only by the provision of flyovers or flyunders at great additional expense; a maze of converging, diverging and fouling movements due to maintenance of some services from each branch to Sealdah, (since by no means all the commuter traffic was bound for the CBD), which would make practical difficulties of operation under Calcutta's peak hour conditions overwhelming. Since after the 1953 report (S N. Roy Committee), Indian Railways maintained that on operational grounds it might be necessary to run it as an independent 'shuttle' service with passenger interchange facilities from suburban services at, e.g., Dum Dum, Garbutt argued that the attractiveness of the CR would be further reduced. This is because, in effect, it would be operated on a "rapid transit basis" on a route which would make little contribution to the purely intra-urban movement.<sup>33</sup>

Garbutt also referred to other problems of construction which were expressed after the 1953 report, and which have already been mentioned.<sup>34</sup> The impracticability of installing the proposed connection south of Ballygunje (to enable trains from Baruipur/Diamond Harbour/Lakshnukantapur/Canning Group of lines to run through the CR, because of intense residential development across the route of this proposed link line, was also mentioned by him.

Garbutt's opinion was that had the potentially most useful part of the CR (the northern section between Dum Dum Jn. and Fairlie Place/Eden Gardens) been built soon after the World War II, and had a simple service pattern been evolved for it, the contribution made toward easier peak hour movement over the years would have constituted some justification for its maintenance and even expansion. But since the CR would have helped only in arranging better in town distribution of the outer suburban traffic, and that too through an operationally difficult, and highly uneconomic service, its construction was considered inadvisable. Particularly so, as the time had come when the city's serious internal traffic situation clearly indicated the need for an 'urban rapid transit', which would not have been obviated by the CR. Accord-

<sup>33</sup>Garbutt, *op. cit.*, para 37, pp. 14-15.

<sup>34</sup>See f. n. 20 above.

ing to Garbutt if that system sustained by a substantial all day traffic could be designed to include facilities for in-town distribution of most of the Railway's business commuter traffic, "then the construction of all or part of the Circular Railway now would represent a wasteful duplication of effort and expense".

The study also pointed out that it is because the circle routes are generally unsatisfactory from both operational and traffic standpoints that of the many new rapid transit systems developed since the World War II, none (except one in Moscow) includes a circular line, and even in those cities where such a line continues from the past it is doubtful whether they would be planned afresh in the same form today. It analysed the numerous problems of the London Circle Line.<sup>35</sup>

Reino Castren also thought that better solutions than a CR were available. Calcutta's main problems were the distance of the two present railway terminals from the final destination points of the commuters in the city centre, and absence of facilities for through running of trains from the western to the eastern parts of the city and its surroundings. He pointed out that other cities have remedied a similar situation by constructing the 'Missing Railway Link' through the CBD, after unsuccessful efforts with ring shaped railways. His solution was that Calcutta, with its exceptionally highly developed local railway network, should really attempt a railway connection between Howrah and Sealdah as the foundation of the future local railway component of the metropolitan mass transit system. This undertaking would have involved a bridge or tunnel across the river Hooghly and cutting through built up grounds in the very central city, would have been difficult and expensive operations. But Castren pointed out that in other cities the extremely high construction costs had been balanced by savings in railway recurrent costs and by a much simpler and cheaper internal mass transit system, even without mentioning the time saved and convenience of the passengers. In Calcutta too the provision of an efficient and healthy base for the development of both the mass transit system and the metropolis itself would justify the costs.

It was also pointed out that far from the necessity of the missing railway link being diminished by the CR or its advantages rendered redundant by the latter, the link and the north-south rapid transit lines could "surely give all the advantages the Circular Railway could give". Rather the benefits of the CR would seem dubious if account was taken of the needs of: (a) directing one part of the commuter trains of every local railway line to the CR and another part to Sealdah, which was bound to make time intervals for both the destina-

<sup>35</sup>Garbutt, *op. cit.*, paras 37, 38, 39, 33 (e), pp. 15,12.

tions rather long, and (b) bending the CR line in large bends to run along the edge of the Salt Lake and around the north part of Calcutta, making the travel time to the CBD enough to cause worry.<sup>36</sup>

West Bengal government, however, did not give up its demand for a CR in Calcutta even after these unfavourable reports. The MTT too brushed these studies aside in a cavalier manner, saying they "were limited in scope and reflected professional opinions rather than conclusions based on detailed engineering and economic studies". The transportation system of Calcutta was to include both a suburban dispersal line and a grade separated rapid transit line.<sup>37</sup> The Team recommended that final location survey and preparation of project drawings and estimates should be taken up as early as possible to avoid delay in implementation of the scheme.<sup>38</sup>

### III

#### A VOLTE FACE

No one would have thought that the scheme will be discarded at this stage. Yet it was precisely what did happen. The Team's report was published in February, 1968. In March, 1969 the Railway Minister made it known that construction of the tracks would begin in 1969, though CR would not solve Calcutta's transportation problem entirely. A sum of Rs. 29 crore had been provided for the implementation of the first phase of the scheme. An expert Committee of the Railway Board had started processing the plans.<sup>39</sup> But in 1972 came the sudden announcement that after assessing the feasibility of both the suburban dispersal and the U-Rail projects from technical, economic and other angles the central government had decided against the former as it would not solve Calcutta's transportation problems. The underground railway project was accepted in its place.<sup>40</sup>

The above mentioned decision was difficult to understand if one remembered the impassioned plea of the MTT for a suburban dispersal line. Not only the Congress government, the Janata government at the centre also disapproved of the scheme. Madhu Dandavate, Union Railway Minister, rejected the scheme on the twin grounds of doubts about its efficacy and fund shortage.<sup>41</sup> In 1978 the Railway Board

<sup>36</sup> Castren, Papers on *The Mass Transit Problem*, pp. 10-11.

<sup>37</sup> Metropolitan Transport Team, *Interim Report*, p. 21

<sup>38</sup> *Report on Mass Transport System*, MTT, p. 9.

<sup>39</sup> *Anandabazar Patrika*, Calcutta, March 4, 1969. WBLAP, 11.2.70, Vol. 50, No. 1, pp. 733-34; 12.5.71, Vol. 51, p. 229.

<sup>40</sup> WBLAP: 28.4.72, Vol. 52, No. 2, pp. 491-92, 19.2.73, Vol. 54, No. 1, p. 237.

<sup>41</sup> *Amrita Bazar Patrika*, Calcutta, April 28, 1979; *The Statesman*, Calcutta, May 9, 1983.

Chairman also adjudged the scheme impracticable since a traffic survey had indicated that the project would not do anything more than meeting the "peripheral demand for mass rapid transport",<sup>42</sup> and estimated 1.5 million commuters would remain outside its purview. The Railway authorities contended in 1978 that the estimated expenditure of around Rs. 30 crore for suburban dispersal line in 1969 had already shot up to Rs. 70 to 80 crore in 1978. Even if resources for this could be found after making provisions for the underground railway, these would have been better spent on constructing an underground railway from Howrah to Sealdah via B.B.D. Bag.<sup>43</sup> Unwittingly the central government and the railway people were echoing the views of Garbutt and Castren.

Indications of yet another *volte face* were quick to come. In 1979 a retiring Chief of the Metropolitan Transport Project (Railway) considered the underground railway inadequate.<sup>44</sup> His successor thought that even if three additional routes of the underground railway (between Salt Lake and Ramrajatala, Dakshineswar and Thakurpukur, and Garia and Tollygunje), project reports of which had been submitted by the Metro authorities to the Planning Commission, were constructed over and above the Dum Dum-Tollygunje alignment (which by itself would only touch the 'tip of the iceberg' that was Calcutta's transportation problem) the Metro would have to be supplemented by a CR to make a substantial dent on the problem.<sup>45</sup> Going one step further the Union Railway Minister asserted in March, 1983 that the CR would better solve the problems of urban transportation in Calcutta than the underground railway, though the latter project could not be scrapped in its advanced stage of construction. A report by a former member of the Railway Board had established the feasibility of the scheme, and its final approval depended on the examination of this report by the Planning Commission.<sup>46</sup> The central minister regarded the CR as the quickest way of solving traffic congestion in the city,<sup>47</sup> and assured the Chief Minister of West Bengal that it would be taken up despite fund shortage,<sup>48</sup> and chiefly through his initiative direct passenger services between Naihati—Budge Budge Sections of Eastern Railway were inaugurated in June, 1983, which, according to him,

<sup>42</sup> *The Statesman*, Calcutta, July 23, 1978.

<sup>43</sup> *Yugantar*, Calcutta, August 2, 1978.

<sup>44</sup> *Amrita Bazar Patrika*, Calcutta, July 5, 1979.

<sup>45</sup> *Amrita Bazar Patrika*, Calcutta, August 9, 1981.  
and *The Statesman*, Calcutta, March 18, 1982.

<sup>46</sup> *The Statesman*, Calcutta, March 13, 1983.

<sup>47</sup> *The Statesman*, Calcutta, June 29, 1983.

<sup>48</sup> *The Statesman*, Calcutta, April 27, 1983.

constituted 43 per cent of the work on the 40 km. CR.<sup>49</sup>

The Central Railway Minister's promise of completing the CR within six months<sup>50</sup> was not fulfilled. Part of the First Phase of the CR (7 Kms. from Bagh Bazar to Princep Ghat) was commissioned in August, 1984. The 2 km. extension to Tala station under Phase II was done in November, 1984. A temporary halt near Bidhannagar Station has been constructed in January, 1985, and the preliminary work under Phase III from Majherhat to Princep Ghat as well as between Tala to Dum Dum Jn. has been taken up.<sup>51</sup>

#### IV

##### THE PRESENT ALIGNMENT

It is clear that the present alignment of the CR is nearer to that proposed by the Ginwalla Committee, than to the alignment proposed by MTT. Like the Old Ginwallah Scheme, it may be divided into five components, four of which need new constructions : (a) Dum Dum-Princep Ghat link, (b) a double line link between Bally Bridge and Bally Ghat, (c) the Belgharia-Baranagar link connecting Sealdah North section with Bally Bridge, (d) the Budge Budge-Sonarpur link (between branches of Sealdah south division), and (e) the Kankurgachi Chord (for which no construction was necessary).<sup>52</sup> The Calcutta Metropolitan Development Authority (CMDA), which replaced the CMPO as the planning agency for Calcutta, has also recommended, in a recent report, that the inner CR line for passenger traffic should be established following the alignment of CR line recommended by the Ginwallah Committee in 1947.<sup>53</sup> The CMDA does not think the MTT proposal of suburban dispersal would solve the problem at all. The alignment suggested by it in the above report is far more comprehensive. It is to start at Dum Dum and move up to Chitpur Yard along the alignment suggested by the Rail India Technical and Economic Service (RITES) in 1982 (which proposed wholly elevated construction from Dum Dum to Princep Ghat). From this point the CR was to

<sup>49</sup>*The Statesman, Yugantar*, June 16, 1983.

<sup>50</sup>*Ibid.* Also see *Yugantar*, Calcutta, June 16 and 18, 1983. The Urban Development Minister of the Left Front Government did not think it could be done. See *Amrita Bazar Patrika, Anandabazar Patrika*, June 22, 1983.

<sup>51</sup>*Amrita Bazar Patrika*, Calcutta, January 17, 1985. *Anandabazar Patrika*, Calcutta, January 18, 1985.

<sup>52</sup>*The Statesman*, Calcutta, May 26, 1983, and *Anandabazar Patrika*, June 18, 1983.

<sup>53</sup>*Concept of Integrated Transportation System for CMD Planning Report No. 174*, (Strictly a Draft For Views), Traffic and Transportation Planning Unit—1, Directorate of Planning and Development, Calcutta Metropolitan Development Authority, pp. 11 and 6, para 2.3.

move through the yard *on the surface* to the Port Trust lines and continue up to Hastings. After that there was to be new construction upto Majherhat, and beyond that point it was to follow the existing alignment, returning to the Sealdah-Dum Dum line via the Kankurgachi Chord connection, punctuated by 17 stations on the route. CMDA's opinion was that for an efficient railway transit system, the CR scheme should be implemented *in toto*.<sup>54</sup>

The Urban Development Minister of the West Bengal government Mr. Prasanta Sur, did not think that an elevated CR as per the report of the RITES, which would have cost Rs. 147 crores at 1983 price levels, was necessary. A surface alignment would not have cost more than Rs. 10 to 12 crore and it was feasible.<sup>55</sup> But there is no evidence that the CMDA alignment and Sur's words were even considered by the Railway Ministry. Neither was the proposal of the RITES entirely followed. In the finally accepted alignment of the CR the following portions were to have elevated construction : a 2.5 km. stretch from Kantapukur to Tolly's Nulla Lift Bridge, through Circular Garden Reach Road and Calcutta Port Trust Dock No 1; Howrah Bridge to Baghbazar.<sup>56</sup>

The inevitable question which arises at this point is that since the final alignment was so much like that proposed by Ginwallah, were not those years spent in exploring new alignments wasted?

#### CONCLUSION

Most important among the forces which kept the CR scheme alive was, of course, state governments' tenacity. No ministry in West Bengal, Congress or non-Congress, gave up clamouring for it.<sup>57</sup> In 1967 the transportation minister of the previous Congress government deplored central government's dilatoriness about the scheme.<sup>58</sup> Not only did the Left Front government press the Centre to take up the project as complementary to the underground scheme,<sup>59</sup> but undeterred by the Janata government's rejection of it, decided to hold a fresh survey about the usefulness of the scheme in tackling passenger traffic in the city.<sup>60</sup> A series of applications from 1979 to 1983 to the Centre

<sup>54</sup>*The Statesman*, Calcutta, May 5 and June 22, 1983, *Anandabazar Patrika*, Calcutta, June 22, 1983 and January 18, 1985, *Yugantar*, Calcutta, June 22, 1983.

<sup>55</sup>*Yugantar*, June 22, 1983.

<sup>56</sup>*Anandabazar Patrika*, January 18, 1985.

<sup>57</sup>*The Statesman*, Calcutta, May 9, 1983.

<sup>58</sup>WBLAP, Vol. 45, No. 2, 14.7.67, p 289; The Calcutta Tramways Company (Taking over of Management) Bill, 1967.

<sup>59</sup>*The Amrita Bazar Patrika*, March 31, 1979.

<sup>60</sup>*The Amrita Bazar Patrika*, April 8, 1979.

to implement the scheme ultimately fall on willing ears,<sup>61</sup> although the fact that the Railway Minister this time was a zealous man of Bengal might have helped.<sup>62</sup>

That the CMDA, unlike its predecessor, the CMPO, was wholly in favour of the CR scheme must also have helped matters.<sup>63</sup> And still another factor which made the construction of the CR impossible before, but was non-existent in 1983, was the objection of the CPT authorities to the use of their tracks during the sixties.<sup>64</sup> In 1983, however, the CPT authorities found their existing railway system more of a liability than an asset, in view of the need to expand their roads in the dock area, since more than 80 per cent of their cargo were now being brought by trucks. The National Transport Planning and Research Centre of New Delhi too, in its survey of the traffic management of Calcutta Port, had put great emphasis on road development, and CPT was now eager to scrap most of their existing railway lines.<sup>65</sup> The Port Railway alignment had to be closed down from July 1, 1983 and the CPT informed the railway ministry that this could be taken over for the proposed circular railway.<sup>66</sup>

The analysis of decision-making about the CR would prove that even technology is a social and political phenomenon,<sup>67</sup> and a process of exploring the most effective technology, completely divested of political factors is not something that often happens. West Bengal government's craving for the CR could arise from its eagerness to convince Calcuttans that it could extort something from the Central government for them. The great symbolic value of the CR in this respect completely overshadowed any serious consideration of its problem solving potential. The new Union Railway Minister, in his zeal to prove how much he was doing for West Bengal, could not presumably afford to consider Castren's views seriously, even if he were aware of them since he had to do whatever he could do during his tenure, if he wanted to draw political mileage out of it. Hence the poverty of synoptic, rational deductive thinking. The acute

<sup>61</sup>See *The Statesman*, Calcutta, May 9, 1983; *The Anandabazar Patrika*, October 29, 1980. *The Statesman*, Calcutta, April 27, 1983. For request to RITES to carry out the feasibility study for the project, see *The Statesman*, June 22, 1983.

<sup>62</sup>The record railway investment for West Bengal in the 1983-84 financial year would prove that this factor could not be neglected. *The Business Standard* Calcutta, June 28, 1983.

<sup>63</sup>However, it must be reminded that CMPO's misgivings about the scheme did never dissuade government from upholding it.

<sup>64</sup>WBLAP, 24 3.69 Vol. 48, p. 580.

<sup>65</sup>*The Statesman*, Calcutta, May 5, 1983.

<sup>66</sup>*The Yugantar*, Calcutta, June 24, 1983.

<sup>67</sup>Charles Bereano would also think so. See Charles Bereano, *Technology as a Social and Political Phenomenon*, New York, Wiley, 1976.

shortage of transportation facilities in Calcutta would ensure that any scheme would have in its power the ability to provide some relief. The newly proposed road-rail tunnel under Hooghly river near Bauria station to enable suburban trains from the Howrah-Kharagpur route in South-Eastern section pass to the southern section<sup>68</sup> would be one such scheme. Yet an underground railway for Calcutta alongwith the missing eastern western link between Howrah and Sealdah stations could perhaps give all the benefits the CR could give. Anyway the way this piece of technical decision was handled left much to be desired.



<sup>68</sup>See *Amrita Bazar Patrika*, November 11, 1984.

## *Book Reviews*

*Urbanization and Role of Industrial Estates—The USA, the UK and the Indian Experience*, K.K. KHAKHAR, New Delhi, Ashish Publishing House, 1985, pp. 100, Rs. 100.00.

Rising extent of urbanization is considered as the basic symptom of modern economic development in any economy. Several studies have also concluded that one of the most effective ways of reducing the regional disparity in the level and rates of economic development is to encourage and accelerate the process of urbanization in the backward regions. After the overwhelming industrial revolution in England, the very concept of urbanization has somehow been closely associated with industrialization. Although one may not fully agree with the type of exact correspondence between the two phenomena implied by several authors, the fact remains that industrialization is an important route to promote urbanization.

As far as the urban areas, particularly the cities, are concerned, location of new industries can be considered to be an important factor affecting the congestion in the central city area. If the location of the new industries is properly planned, the growth of the central city can be diffused to the periphery. Thus, the role of industrial estates is not only in terms of promoting industrialization-cum-urbanization in the less developed rural areas, but also to act as a sub-system of urban and regional planning. Dr. Khakhar in his book prefers to view the role of the industrial estates largely as a sub-system of urban planning.

The book under review consists of five chapters, three appendices, bibliography and index. The first chapter gives an overall introduction by discussing the concepts and the approach. The next three chapters are devoted to the discussion of the country cases of the USA, the UK and India. The fifth and the final chapter concludes the discussion by speculating on the policy for locating the industrial estates in future.

Although the names used for the industrial estates in the USA, UK, and India are somewhat different, they can be easily identified using P.C. Alexander's definition which stresses the point of facilities created in advance of demand. The US experience of diffused growth of urban areas over vast geographical canvas is an outcome of the operation of market forces. Uniformity of preconditions for manu-

factoring largely in terms of wide-spread infrastructure across the space has made the locations of industries more dispersed in the USA. Dr. Khakhar considers the US case of depolarisation resulting into inter-regional dispersal of population and activity as an extreme case of the success of market forces. The UK experience of diffused urban growth, on the other hand, represents government's planned effort by providing substantial fiscal incentives. The private industrial estates have considerably responded to the incentives offered by the government and have, therefore, been developed largely in sub-urban locations in the UK. The government's incentives have worked in the UK because of widespread homogenised infrastructure acrossss space.

The Indian case considered by Dr. Khakhar reveals trends of important city-regions experiencing declining growth rates of central cities and increasing growth rates of other constituent towns of the urban agglomerations. The rural industrial estates are largely confined to urbanised rural sites falling within or close to the urban agglomerations. What is most striking is the finding of the author which suggests that most of the successful industrial estates in India are located on certain single urban-industrial tracts where some basic infiastrucutural facilities are available. Dr. Khakhar, therefore, concludes that it is not only less pragmatic but even dangerous to make any policy which might force the small industry units to move away from the inner-city areas. Thus, he advocates more industrial estates to be planned within the city areas instead of putting them far away.

Although the book lacks in terms of quantitative analysis of the data on the three countries presented in the three appendices, it makes a useful contribution in putting together the experiences of the USA, the UK and India in the matters related to the pattern of urbanisation and industrial estate. The reviewer feels that some more indepth analysis of data and a broader perspective could have immensely increased the value of Dr. Khakhar's book to the urban and regional planners as well as the scholars interested in the research work on industrial estates.

—RAVINDRA H. DHOLAKIA

*Regional Population Projection Models*, ANDREI ROGERS, Scientific Geography Series, (ed.) GRANT IAN THRALL, London, Volume 4, Sage Publications, pp. 96, \$ 7.95.

Professor Andrei Rogers, a recognised authority in population futures has focused his attention in this book on subnational population projections. Andrei Rogers through the mathematical analysis

demonstrates with examples the computation of regional population growth rates, age compositions and spatial distributions using data from several countries like the United Nations, the Soviet Union, India, Belgium and Sweden.

The subject-matter covered in the book is divided into four chapters. In the first chapter Andrei Rogers examines both methods of population projections namely: (i) the extrapolation of past observations by fitting simple curves to the data, and (ii) the introduction of the behaviour of the principal components of population change into the projection exercise. In the second method a geographical perspective is adopted by considering how fertility, mortality and migration combine to determine the projection of population totals. The chapter also presents the method used by the United Nations to generate urbanisation projections.

Chapter 2 considers the consequences for subnational population projections of dividing an aggregate population into spatially distinct, mutually interacting regional populations that exchange migrants in both directions. A focus on gross instead of net migration flows more clearly identifies the patterns, illuminates the dynamics and enhances the understanding of demographic process that occurs in multiple interacting populations.

Chapter 3 describes the demographer's classical age-disaggregated single-region approach to population projection. In introducing age to the subnational population projection, in fact, the author begins with the simplest case—a population exposed to fixed birth and death rates and zero migration. The chapter provides both the life table and the Cohort—survival model for illustrating their application to subnational population projections.

Finally, Chapter 4 integrates the age dynamics with spatial dynamics. In other words, it is an integration of the age dimension of the demographer with the locational dimension of the geographer. The chapter outlines a multi-regional/multistate model of population growth and change. In addition to events such as births and deaths, this perspective focuses on gross flows and on multiple interacting populations. The model avoids potential inconsistencies arising from inappropriately defined rates. It also allows one to follow individuals across several changes of states of existence, thereby permitting the disaggregation of current or future population stocks and flows by previous states of existence. As a matter of fact, multi-regional/multi-state demography is a young branch of formal demography, and its potential contributions are only now coming to be recognised.

The book is particularly useful to those responsible for carrying out regional population projections in public and private organisations

such as national, state and local governments, business firms, foundations, universities, labour unions, social service organisations and various public interest groups. For students this work contributes a new and significant dimension to human geography and anthropology, sociology and demography, business marketing, regional economics, environmental studies and city planning.

—GIRISH K. MISRA

*Economic Development, Social Structure and Population Growth*, VICTOR S. D'SOUZA, New Delhi, Sage Publications, 1985, pp. 138, Rs. 85.00.

It is generally believed that economic development and population growth are negatively related. Many studies dealing with the relationship between population and economic variables are based on aggregated observations for a country or a region as a whole. Most of them deal with the subject matter from the perspectives of the disciplines of demography and economics. The present study is conducted on a micro-level, selecting three large villages and using variables of inter-generation occupational mobility as a key socio-economic variable influencing demographic behaviour. The study adds a sociological perspective to the problem under study. The examination of the relationship between economic development and population growth in this study is based on the assumption that such a relationship is mediated by the social structure. In societies with rigid social structure there is high correlation between occupational status of fathers and sons. The inter-generation stability in occupational prestige actually reflects the concern of the parents for their children which is nowhere better expressed than in the rural communities of India. When the parents perceive that the large size of the family is to jeopardise the status maintenance of their children, they are likely to limit their family size. In Indian setting caste plays an important role as it is instrumental in channelising economic change through the existing social structure. The groups at the lowest rungs of the social ladder do not see any valid reason for controlling the size of their family.

The study shows that only income or status levels of persons do not bring out the effect of economic development on family size. As economic development brings about a sectoral transformation of the economy resulting in the creation of new occupations, it inevitably accelerates occupational mobility. For the analysis of economic change and social structure in the Indian villages, social prestige of occupations and the social status of caste groups were taken into

account. It was found that there is a relationship between caste status and occupational prestige. It was observed that despite manifold economic changes the relative positions of the castes, in terms of their occupational prestige remained almost stable and that the disparities in occupational prestige between the higher castes and the lower castes tended to increase. It was proved that the fruits of economic transformation had gone to the various castes in proportion to their standing in the prestige hierarchy. The rigid and inequitable social structure did not show any signs of changing towards a fluid and more egalitarian social order. The higher castes had benefited more than the lower ones from the transformation of the economy.

The analysis showed that when economic development takes place, the caste system does not simply act as a dependent variable, bending to the influence of the former. It rather channels economic changes according to its own pattern. The caste system acts as a tangible force in apportioning the advantages of economic development to members of different castes in a differential manner.

The opportunities for social mobility or status maintenance provided by economic development are important when one is concerned with the relationship between population and development. In the economic decision-making models, status maintenance is included as a relevant variable and it applies to the status security of the parents. But when children are thought to be constituting not merely the utility values but also the effective ones to their parents, the latter becomes equally concerned with the status security of their children. Decisions about the size of the family then are influenced by considerations of the opportunities of status maintenance for children. Members of the castes having better opportunities of status maintenance of their children would therefore be likely to have larger families than those which have fewer opportunities. For this kind of analysis economic adjustment was taken as an index of status maintenance. The effect of the family size on economic adjustment at the aggregate level found by this study was not very impressive. One of the major observations made in the study was that the major landowning and cultivating castes had been most adversely affected in their economic adjustment by population growth. Since agricultural land was usually transferred to the sons, the larger the number of brothers inheriting land from their father, the smaller was their share. The larger size of the family orientation, by giving rise to multiple inheritance of agricultural land was an important cause of economic maladjustment of the major cultivating castes.

Family size did influence the pattern of inter-generational occupational mobility. The adverse impact of a large family size on economic adjustment was less severe in castes which had availed themselves of

the mobility opportunities provided by the developing economy. Smaller family size was found to be related to the practice of family planning methods. Adoption of family planning was found to be related to the mobility pattern; downwardly mobile persons who had smaller family size had adopted family planning to a larger extent and did so while their families were relatively small.

The model of fertility behaviour put forward in this study emphasises that it is not the family's economic status as such, but its economic status relative to its aspirations and relative to its parents' incomes, which is decisive for its fertility performance. In the early stage of economic development, economic development stimulates or sustains the existing family sizes. The mobility opportunities accrue to various sections indifferent proportions and consequently the population growth rates get affected in different ways.

Representing the sociological analysis of demographic and economic phenomena the author has given new turn to his research findings. The analysis purely based on economic dimensions look little biased which by addition of this new dimension could be considered more realistic. The challenge which has been thrown for the researchers demands further research in this field so that the conclusion could be extended to a much wider area where generalisations could be made more easily.

—SHANTA KOHLI CHANDRA

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*Kamta Prasad*

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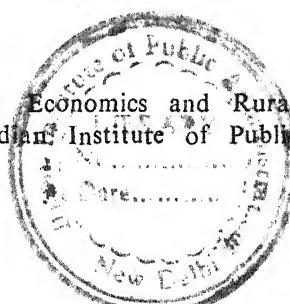
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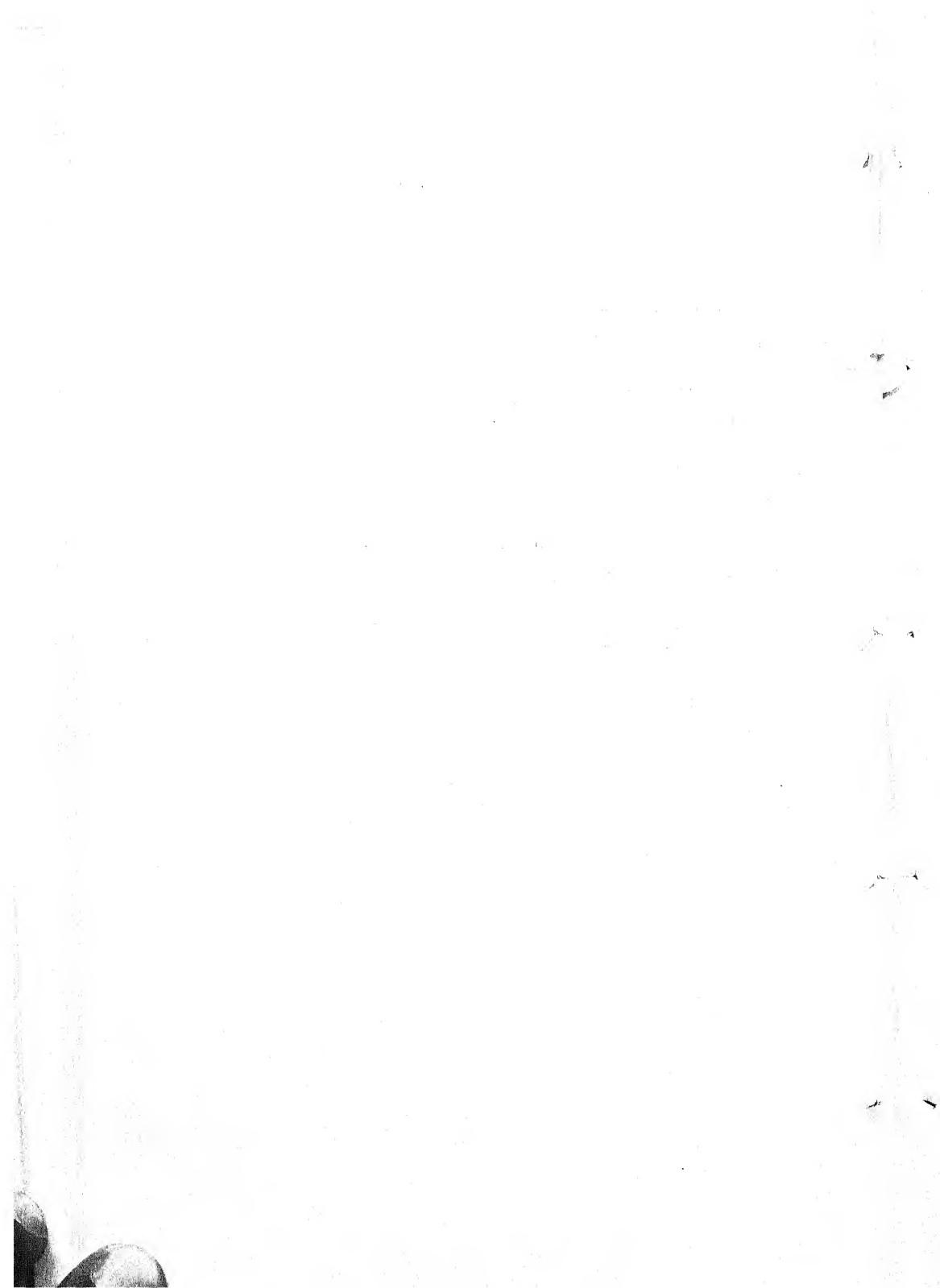
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# *Urban Transportation Planning*

N. S. SRINIVASAN

## INCREASING DEMAND FOR TRANSPORT

THE INHERITED settlement pattern of cities in the developing countries is a result of religious, socio-economic and political forces in history leading to a haphazard development around a strong central core. Diversification of activity, impact of industrialisation and migration have accelerated the growth of population in the cities. This has brought rapid changes in the peripheral land use causing the urban centres to increase in areas. In spite of the phenomenal increase in population as well as city size the focus of activities has remained unchanged at the original core. Such developments create uni-directional flow of traffic during peak hours and this causes inefficient use of infrastructure. Concentration of movements to and from the central area leads to acute traffic congestion on the transport routes radiating from the central core. Moreover, concentration of population and activities which accompanies vertical growth results in additional demand for passenger and goods movement, which the present overtaxed transportation system is unable to carry.

By the year 2001, the population of India will be between 945 and 968 million. If the existing trends continue, the urban population will be between 260 and 275 million. There will be 5 megalopolitan areas with population upwards of 10 million, around 25 metropolitan cities with population upwards of 1 million and over 600 cities with population of 1 lakh and above. The number of passenger trips by vehicles in the urban areas is expected to be around 325 million per day against the estimated figure of 90 million in the year 1981. These statistics indicate the serious dimensions of the future transportation problems.

## PRESENT PLANNING

In India, it is only now that integrated planning is really making headway in some of our metropolitan cities. By and large, most of

them and certainly all of the non-metropolitan cities where plans have been or are in the process of preparation, the need-based approach is followed. The land use or the Master Plan for the horizon year considers shortfalls and anticipates need on the basis of simple trends of extrapolation which are programmed for quinquennial year (usually) implementation. Unit standards still form the basis of infrastructure and community facilities requirements. Integration of activities is attempted insofar as a hierarchical settlement pattern self-sufficient within the scale of functions is proposed. Review of plans is, however, absent in most cases as also is updating. Horizon years come and go but the once prepared Master Plans go on forever or so it seems. Sanctioning and statutory enforcement take so long as to invalidate many of the assumptions. New plans are started *ab initio*. A fundamental constraint to leave the 'existing area alone' negates the fundamental philosophy of planning, in fact makes a mockery of the 'integrated approach'. Plans by and large emerge as successive catalogues of shortfalls.

In transportation planning also, it is only now that some headway has been made in some of the metropolitan cities and certain medium sized cities. By and large, planning effort in this direction has been the rudimentary arterial circulation proposals in the land use plans. Even the widths of the right-of-way and carriageway are never realised. No strip acquisition is done on existing roads and only two-lane carriageway widths of the proposed roads are acquired. Hierarchically lower categories of roads are not considered at all so that ribbon development with primary access on to the arterial road itself is actually encouraged.

Transportation facilities are confined to increase in bus fleets occasionally, widening of some roads often at the cost of foot paths, provision of vehicle stands mostly at the road side, banning of certain classes of vehicles on some roads at certain times, etc.

#### PLANNING FOR TRANSPORT

The task of urban transportation is a very complex one comprising of many problems and as such, is not prone to simple solutions. Piece-meal solutions do not work, as the general reactions set in by a particular action say, change in land use of a particular area or even the laying of a new road, may completely upset the existing conditions and create problems which were never contemplated. Therefore, there is a need for comprehensive understanding of the problem and having an integrated approach to find solutions.

The integrated approach to the planning of and for transport can be summed up by the seemingly innocuous statement of increasing supply

and reducing demand. The sequential procedure in the cyclic process is illustrated in Fig. 1. It can be seen that the steps are not isolated. They have a logical sequence and interact among themselves.

#### *Efficiency, Economy and Safety*

There are certain exogenous factors in the integrated process which have to be accounted for at every stage. For simplicity, they have been shown along with control of supply. The terms are self explanatory. Safety requires a slight elaboration. In brief, the series of integrated studies within safety are user behaviour to increase traffic consciousness and driver's skill, accident analysis, including detailed uniform and scientific methods of accident data collection, storage and use, preparations of collision diagrams of black spots and before and after studies, safety features in vehicle design and the epidemiological approach in traffic medicine.

#### *Control of Supply*

This involves both optimisation and augmentation of existing road space and transport facilities by means of traffic management procedures like oneway, parking and right turn regulations, geometric improvement, road widening, pedestrian and slow vehicle segregation in traffic management and area operations plans. In the matter of transport facilities, use of operations research techniques are applied to improve working of public transport and of goods transport as a result of which short-term facilities are suggested to be constructed and applied in activity operations plans. These in turn must form part of the long-term facilities as shown in Fig. 1. Typical examples are rationalised depot-terminal location and reorganisation of bus schedules, relocation of goods transport terminals, cycle lanes and pedestrian crossover, etc.

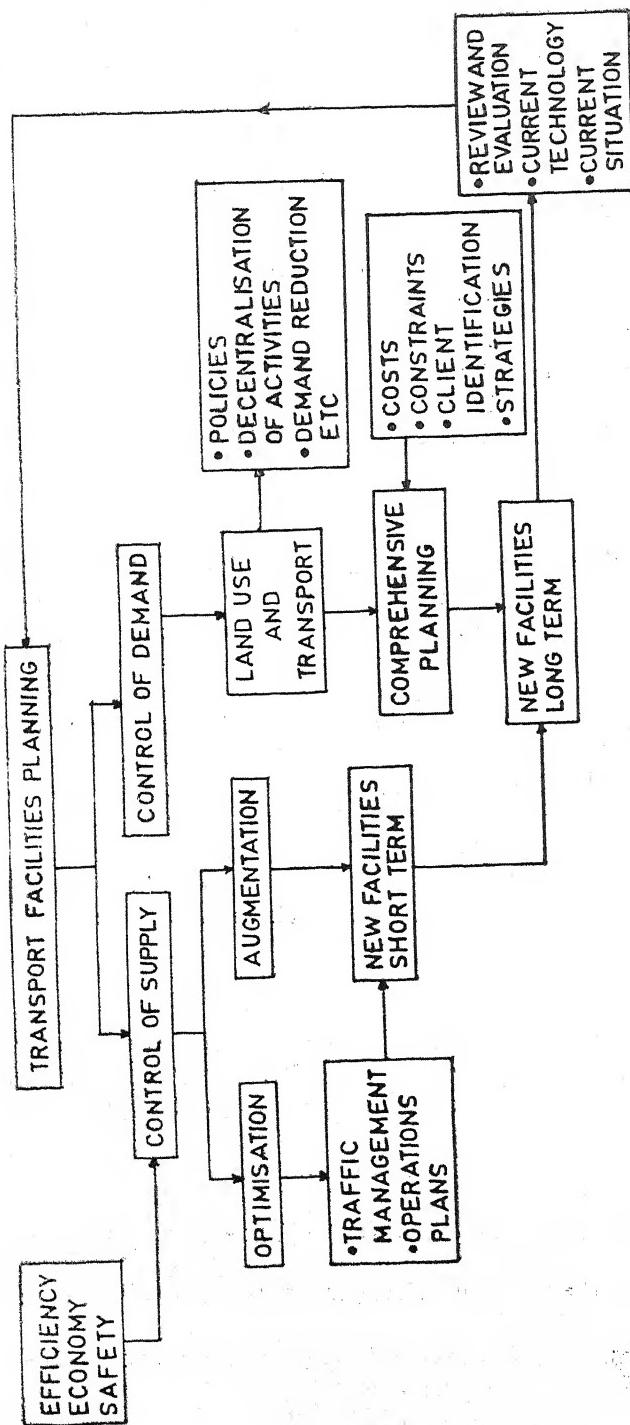
#### *Control of Demand*

This must be considered as demand rationalisation. The procedure involves integration of activities in such a fashion that a bulk of the need for regular travel is obviated, choice travel and location based travel excepted.

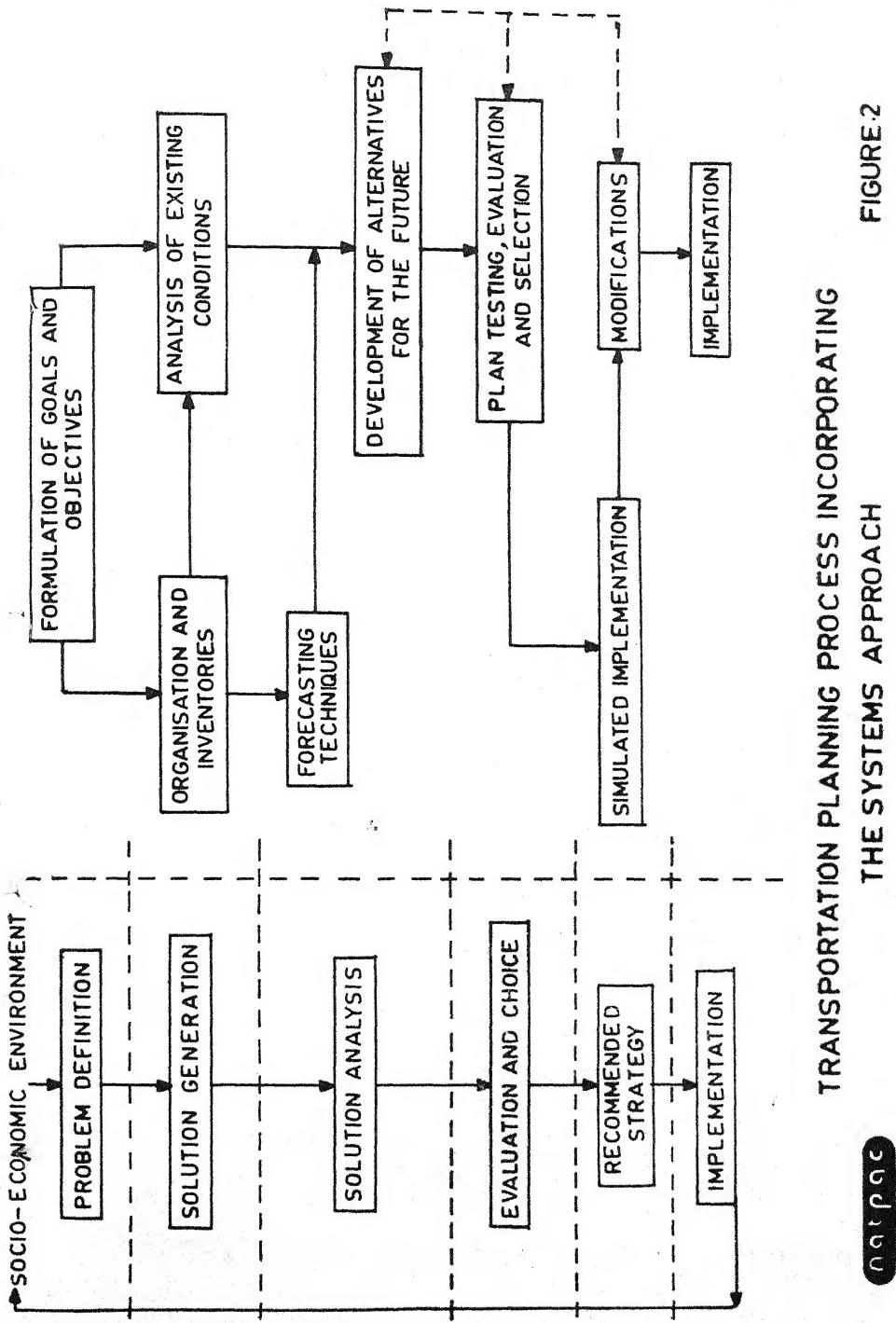
#### *Transportation Planning Process*

The sequential cyclic procedure involves the following steps:

- (i) Definition of the problem, clear-cut enunciation of objectives and constraints.
- (ii) Requirements, inputs, expected outputs, costs and decision rules.



INTEGRATED APPROACH TO PLANNING OF TRANSPORT FACILITIES  
FIGURE 1

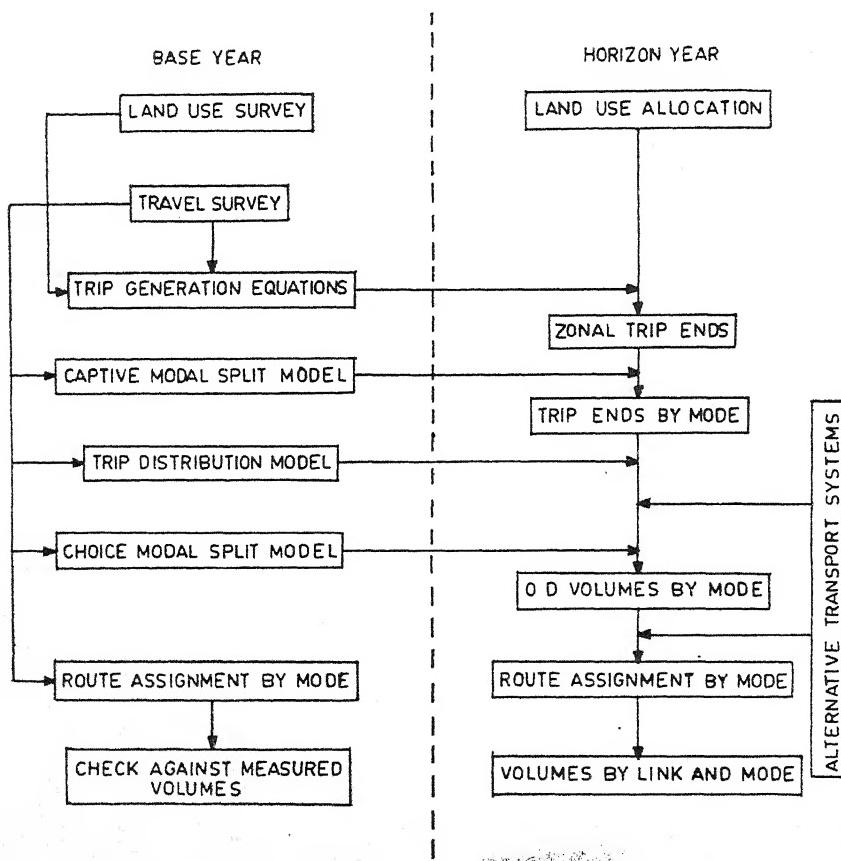


- (iii) The relationship of inputs and outputs, techniques of analysis.
- (iv) Generation of alternative solutions.
- (v) Solution selection on the basis of criteria.
- (vi) Assessment of effectiveness, review and evaluation.
- (vii) Redefinition of the problem, new objectives and constraints.

The approach is thus recursive. In an attempt to coordinate the transport requirements with those of land use the working arrangements are shown in Figs. 2 and 3.

The steps involved in comprehensive transportation planning are:

- (i) Itemising the inputs, data collection of population, employment, socio-economic characteristics, land use, travel characteristics



- and model choice, road inventory and public policies.
- (ii) Analysis of existing conditions and estimation of future demands.
  - (iii) Value judgements of the probable consequences of alternate development and transport plan based on appropriate evaluation criteria.
  - (iv) Phasing on the basis of available resources and resources to be generated.
  - (v) Reappraisal and periodic review in the light of current decisions, needs, new technology, new constraints, etc., to form fresh set of objectives.

### POLICY ISSUES

#### *Decentralisation of Activities*

The *raison d'être* of a city is the fact that the multifarious activities are clustered together and people do not have to go large distances in pursuance of those activities. The fact of minimal transport is implicit in the functioning of a city. Increasing distances, increased problems of travel, of congestions, delays and accidents and increasing cost of travel are indications that strategies are required to be evolved so that the primary function is fulfilled. Out of all the types of trips according to purpose, the most inelastic are the work and back home trips from work which have to be performed in any case. Much of the exercise so far has been to bring people to jobs. It is time now that jobs are taken to the people. More generally activity areas have to be made proximus to residential areas. Activity land use location has acquired a new dimension and the neighbourhood concept deserves another chance. Compartmentalised use zones must give way to integrated sectors with facilities like hospitals, schools, post offices and shops in residential areas near job centres.

Scientific decentralisation of all activity must be the order of the day and judicious mixture of land uses required. Within a metropolis, small cities or sectors or districts have to be recreated self sufficient in the hierarchy of all functions. The metropolitan core consists of city level functions only. The focus of activities must be removed from the main centre to the sub-centres and sub-sub-centres. The technique is non-transportation means to solve transportation problems.

#### *Restriction on Metropolitan Growth*

The burgeoning growth of our metropolitan areas is due to large scale migration. The growth rates of metropolitan cities over and above urban growth and national growth rates testifies to this. It is well nigh impossible to restrict the natural growth of population

within our metropolitan areas. Short of draconian measures it is equally impossible to turn back migrants even though we have seen that the horizontal movement facility is not matched by the vertical occupational mobility in the metropolises. Like transportation we must use non-metropolitan means to solve the metropolitan problem.

The causes of migration are the urban (in our case metropolitan) pull and the rural (similarly, non-metropolitan) push. The integrated approach to metropolitan planning calls for reduction of the rural push factors. Thus the whole scale of human settlements must be considered.

There have been attempts at restricting metropolitan growth. All our states have certain disincentive schemes to prevent further industrial growth in larger cities alongwith incentive schemes for backward districts. This is a step in the right direction. However, improper implementation has nullified the effects. Markets and skills have not developed commensurate with requirements. This is because all the inputs have not been provided for sustained growth.

#### *Economic Factor*

The problem of augmentation of supply of transport (and all other facilities) becomes increasingly difficult because of continual increase in demand. At one stage, cost of addition and maintenance of services is far in excess of any tangible and intangible returns expected from it. Introduction of services in small and medium towns costs far less and has greater returns. Inputs of growth must be provided in such towns, together with setting up of activities removed from metropolitan cities, for these towns to be able to attract migrants away from the metropolitan towns. It is true that counter magnets have so far been unsuccessful. However, I doubt if we can honestly say that counter magnets have been really given a chance to develop. Simultaneous decentralisation and growth inputs could provide socio-economic stability to both metropolises and small towns.

#### *Prevention of Migration*

The integrated approach also calls for non-metropolitan methods to solve metropolitan problems. The source of migration is our villages and for various reasons, village people migrate to the largest city in the region in the expectation of livelihood. Natural increase in rural population, farm labour redundancy and lack of gainful employment in the villages force people to leave. We have the spectre of village problems causing people to leave thereby denuding the villages and migrating to cities to create urban problems. Hence economic inputs must be introduced in villages so that people move only by choice and not by compulsion. To provide these inputs, transport

link to these villages is the prerequisite.

### *Urban Policy*

Whenever a facility is provided activities reorient to take advantage of the facility. Just as one facet of the problems cannot be tackled without creating or intensifying other problems within the metropolitan cities so also the problems of metropolitan cities cannot be tackled in isolation. They have to be married to an overall human settlement or urbanisation policy. If conditions are improved in our cities, they will attract yet more people. That is what is in fact happening. For the deprived villager with no work, conditions are better in cities with at least hopes of work. A simplistic corollary would be to suggest that the cities be left as they are and villages be tackled. This is what is in fact being suggested. But to argue in this fashion would be to negate centralised markets and commerce, education and technology. A more retrograde step cannot be imagined. The whole spectrum of human settlements must be tackled to produce a viable rural to urban continuum. Transportation can help to a great extent in the development of hierarchical human settlements.

### CONCLUSION

The challenging and ever increasing traffic and transportation problems faced in our cities have to be tackled in a comprehensive manner, giving due importance to the integrated approach of supply augmentation and demand reduction, and preparing improvement proposals in three phases, *viz.*, short term, medium term and long term. Such an approach would also help to take various policy decisions ranging from location of employment centres to traffic management measures.

The collection of relevant and quality data is the basic step in the planning process. A critical study of the relevant data would help to understand the present situation, to forecast the future demands and to evaluate the alternative proposals for the choice of optimal solutions. But the lack of relevant information is one of the main drawbacks in the planning process in the country. Moreover, as the procedures evolved in the developed countries are generally followed data collection gives importance to motorised traffic. But in the developing countries like India, where the poor accounts for a large share of the population, trips by walk, bicycle, other non-motorised modes and buses are of more relevance.

It is also pertinent to point out that the planning procedures evolved in the developed countries are cumbersome and cost intensive and these have to be suitably modified considering the prevailing traffic

characteristics, financial constraints, lack of trained personnel and non-availability of adequate facilities for carrying out such tasks. These procedures should be made simple and economical, so that the process of planning, monitoring and evaluation can be carried out by the authorities concerned without any difficulty.

Planners, for long, have been pressing for better methods of collection and storage of data so that information presently collected can be obtained by any planning agency. Data banks should be established at the regional and national levels, so that the information which is an essential tool to good planning, is readily available. □

## *Planning for Urban Poor—With a Focus on Urban Basic Services*

R.K. WISHWAKARMA

THE PROBLEM of demographic upsurge in the countries of the Third World is gigantic. From its level of 28 per cent, as of 1975 to 44 per cent by 2000 AD signifies a growth from 838 million to 2.1 billion. During 1960-70 slum and shanty dwellers represented almost 30-60 per cent of urban population. On an average, 50 per cent of the urban population live at the level of extreme poverty. Assuming that by the year 2000, one half of the urban population will fall under low-income, over one-billion would be counted as urban poor. The urban poor is, therefore, one new factor in demographic upsurge of most of the developing countries.

A study recently undertaken by the United Nations Population Division indicates that natural increase in population accounted for about 61 per cent of urban growth, compared to 39 per cent from migration. Asia is the biggest region representing urban population in absolute terms but its level is very low, compared to developing countries. The study estimated that by the end of this century, 2.7 billion people will be living in rural areas and 2.1 billion people in urban areas.

### **URBAN POOR—A MAJOR FACTOR IN URBAN GROWTH**

The most striking feature of demographic upsurge in developing countries is thus urbanization indicating a very critical time ahead for most of the population living below the poverty line not only in country side but also in the cities. Bereft with the benefit of urban services, amenities and economic opportunities that urban areas have to offer, they will be struggling for survival and the problem of providing basic service might be plaguing all countries in the world.

Conservative estimates place one out of every three urban dwellers as poor. Children born in poor communities particularly slums and squatters face a situation of persistent deprivation: poor and overcrowded housing, open sewers, undisposed and cattered garbage, few

opportunities for schooling and health. Children and women in poor communities are most susceptible to the poor living and environmental conditions. Malnutrition—an invisible hand-touches and steals away the energy of about one quarter of children in developing countries. In the event of its level being very high, the family support being absent, which rural life normally provides, urban women and children are vulnerable. They are economically deprived, their access to basic services is inadequate or altogether absent, their incomes in informal sectors are meagre to meet their basic needs.

India, with a 2.4 per cent of the global area, holds about 15 per cent of the world population, over 20 per cent of the share of developing countries and ranks second only to China with an estimated population of 725 million as of March 1985. With an urban population of 160 million<sup>1</sup>, and recording the highest growth rate of 4.6 per cent, it is the fifth largest country in the world. By 1991, it is expected that about 236 million people will be living in urban areas, the number may cross 315 million mark by the end of this century and place urban-rural ratio at 4:7 as against its present ratio of 1:4.

#### RURAL-URBAN MIGRATION AND GROWTH OF POVERTY POCKETS

The influx of rural population to urban areas has created many a poverty pocket in most of the towns and cities in the country and their status of physical quality of life Index<sup>2</sup> is very poor. Most of the governments of developing countries are focussing their attention to reduce or redirect flows of migration rather than stopping them altogether. The Government of India and the UNICEF has initiated one such programme for integrated development of small and medium towns during the sixth plan period. The IDSMT programme is based on the philosophy of a progressive development for generating more economic activities and bettering services and infrastructural facilities to reduce or at least mitigate the rate of migration to bigger cities

<sup>1</sup>The number of towns and cities have increased from 3,126 in 1971 to 3,955 in 1981 including Assam and Jammu & Kashmir. Of 160 million urban population, about 60 per cent lived in 216 cities with a population of 1,00,000 and above while 12 metropoliten cities with more than a million mark accounted for about 27 percent of urban population and recorded a growth of 53 per cent during 1971-81 decade. About 52 million or 33 per cent of the urban population lived in 204 cities in the population range of 1,00,000 to one million, while 62 million lived in 2020 small towns below 20,000 population, 739 medium towns between 20,000-49,999 population and 270 large towns having population between 50,000-99,999.

<sup>2</sup>The physical quality of life index is an unweighted combination of three variables: (i) literacy rate as a percentage of population of age 15 and above, (ii) life expectancy at age-one, and (iii) infant mortality rate per 1000 live births.

particularly metropolitan areas. The main objectives are:

- (i) to create social overhead capital and enhance the capacity of the town to provide basic services to people, particularly for the urban poor,
- (ii) to enhance the capacity of local people and implementing agencies to plan and implement their own development plans, and
- (iii) to reduce rural-urban migration to metropolitan areas by developing these small and medium towns to become growth centres and focal points of development for the rural hinterland.

Although the programme had laid emphasis on the development factor, target group factor, the regional factor, the production and distribution factor and on peoples participation, the entire responsibility for integrated approach has been assigned to the public sector alone without introducing built-in mechanisms for cost effective recovery for their replication.

There has been thrust on such area specific development programmes since growth in the GNP did not make any dent directly on the problems of mass poverty or reduction in the worst forms of poverty, malnutrition, diseases, illiteracy, slums and squatters, particularly on urban poor.

#### THE SITUATION OF CHILDREN

An analysis of the situation of children in India reveals that of the 23 million children born each year more than one-tenth die during the first 12 months, two fifths of infant deaths occur in the first month, and half the deaths occur in the first week of the first month. While the overall death rate has declined, the proportion of deaths occurring in the first five years has increased: almost half of the all deaths take place in the 0-5 year age-group.

The underlying reason for all this is a complex of factors. Among them maternal malnutrition; foetal under development; inadequate natal care; too early births without proper spacing, lack of proper infant feeding and decline in breast feeding; endemic deficiencies of micro-nutrients, diarrhoeal dehydration and tetanus infection brought through water, food and environment. Much of the same set of causes explain the depressed state of health and nutritional status of a large segment of people. These people account for the country's 63 per cent rate of illiteracy, including 75 per cent for females. It is their children mostly who tend to keep away from mainstream of education or drop-

out of school and who have hardly any opportunity for pre-school learning.

The situation of children is organically linked to that of women, particularly mothers, who perform the triple responsibility of: (i) rearing up children, (ii) running the household, and (iii) adding in ingenious way to the family income; and are living in under-served areas having unequal access to health, nutrition and education.

Mahbub Ul Haq questioning on the distribution impact of the fruits of economic development and social progress wrote that development should be defined as a selective attack on the worst forms of poverty. It should be defined in terms of progressive reduction and eventual elimination of malnutrition, disease, illiteracy, squatting, unemployment and inequality. But lot of problems arise when it comes to evolving appropriate policy measures. And simultaneous pursuit of several incompatible objectives, gives rise to many a problem.

#### *The Strategy of Basic Services*

It is in this background that the strategy of basic services for women and children, as an option to reach the urban poor and to overcome the syndrome of poverty, illness, and nutrition, ignorance and exploitation has been adopted by the Government of India with the support of the UNICEF. Through a gradual process of trial and error and with the positive institutional support, the basic services approach which incorporates the principles of community participation has been adopted and extended to urban areas. The emphasis has been laid on low-cost home-based measures to empower facilities of urban poor to provide basic services for children.

#### *Immunization*

All the children are to be immunized by using newer, more heat stable vaccines to provide protection against diphtheria, whooping cough, tetanus, poliomyelitis and tuberculosis. Measles vaccination is also to be provided in epidemic areas and all pregnant and expectant mothers also needed immunization against tetanus. In Dewas district of Madhya Pradesh, for example, three quarters of all children have been protected against polio and almost half against diphtheria, whooping cough and tetanus in a campaign which is now being extended to the entire state.

#### *Breast Feeding and Infant Feeding Practices*

Breast feeding provides the best possible nutrition for the six months of life and protects the infant against common infections and establishes a close and happy contact between mother and children. Breast milk has anti-infective properties and it is cheaper than breast milk

substitutes. Special care has to be given to children for providing supplementary nutrition through infant feeding practices to maintain growth at a consistent rate.

#### *Periodic Control of Weight Gains/Losses*

All children below the age six are to be weighted or measured for height periodically and growth charts to be maintained to identify malnourished cases. Those suffering from severe malnutrition have to be given special supplementary nutrition and acute cases to be referred to for medical care/or some basic advice about weaning and feeding of children.

#### *Control of Diarrhoeal Infections*

A child suffering from an acute attack of diarrhoea, begins to dry out, shock sets in, and stupor. The thirst is unbearable. Blood pressure falls and the pulse quickens. Kidney begins to malfunction. The cure is ORT—Oral rehydration therapy, which any parent can manage by simple solution of salt, sugar and water in right proportion (8 level tea spoons and 1 salt) mixed in a litre of water to be administered to the child. It can save millions of children dying due to this infectious disease.

#### *Early Stimulation/Pre-school Education*

To stimulate the child for learning pre-school education in a non-formal setting forms the backbone of the urban basic services programme as all services converge on the pre-school centre. Children between ages 3-5 should be made to attend *Anganwadi* for three hours a day. This is to stimulate the curiosity of the child rather than follow any rigid learning curriculum. To increase the coverage of pre-school children complementary approaches have been suggested—common facilities for primary schools and day care centres expansion of existing facilities of pre-school education including ICDS and Balvadis and large scale training programme for pre-school education teachers.

### WOMEN'S DEVELOPMENT

The facilities should be provided to women to raise their family income by better access to vocational and skills training, non-formal education for building up their capacity including institutional loans for investment marketing guidance. Non-formal functional and technical education should also be given for their economic upliftment on DWCRA lines, birth spacing for better health and for their active participation in development. Individually each aspect has its own importance. It may be breast feeding, growth monitoring, oral

rehydration and immunization. They are cost effective remedies for protecting children in poor communities. But their combined effect with a package of integrated services could be several times greater than a simple addition of their advantages.

#### DEVELOPMENT CONSTRAINTS IN PROGRAMMES

Although the Government of India have in varying degrees adopted various policy measures to respond to the problems of urban poor, there are a number of constraints that had been hampering the progress :

- (i) Limitation in social programmes, personnel management capacity, and organisational infrastructure;
- (ii) psychological requirements of the beneficiaries receive utterly inadequate attention;
- (iii) lack of wholesome development of mankind;
- (iv) weakness of urban social policy and planning;
- (v) lack of or limited participation by community in programmes affecting their lives;
- (vi) complexities of local agencies (municipal/developmentauthorities);
- (vii) frequent changes in development approaches; and
- (viii) lack of stable cohesive group at the community level.

These weaknesses and constraints in programme implementation necessitate an effective training and programming and policy planning based on sound principles of community participation and neighbourhood planning. The Government of India have selected 36 pilot districts for UBS programme during 1986. The training and skill development for the management of the programme is underway.

#### NEIGHBOURHOOD PLANNING AND DEVELOPMENT

If community participation is to constitute a genuine component of the basic services approach for reaching all urban poor families, the idea of zoning the entire city into neighbourhood units has a greater possibility of effective development planning and programming. The creation of neighbourhood units will make it possible for the sectoral plans and the master plans to be integrated in social space.

The benefit of community based approach is that it is 'community-oriented' and 'community monitored' pattern that would encourage development operator, to live, plan and work with the population to help it improve its lot. In Sri Lanka, we have community development

councils to organise and manage local development activities. Their development needs are met by the leaders who have emerged among the slum residents, and they are responsible for implementing project activities on a self-help basis. The activities include, maintenance of common amenities such as water taps and toilet facilities, the collection and use of pooled resources for environmental sanitation, education, immunization, health and nutrition. The problems of drop-outs and income generating activities for women are being looked into. But for neighbourhood planning and development, there is a need for :

- community awareness;
- community organisation;
- resident development Committees, participation of voluntary agencies;
- self-help actions for shelter and environmental improvements; and
- cooperative initiatives and other agencies by which the planning for urban poor could get support and attain self-sufficiency.

#### *Financial and Institutional Support*

Since the strategy of urban basic services for children is based on peoples' movement, it needs adequate financial and service support from government, private sector, voluntary agencies and international assistance in view of rapid growth of population and its mounting problems. To dynamise the programme:

- It is necessary to revise procedures and actions making financial resources available to the community so that people can decide how these resources should be used to solve their own problems;
- The management structure of urban basic services programmes should identify its local project staff;
- Training and orientation in community organisation should be provided at all critical levels in urban basic services management structures. This may include community organisers, project staff, project managers and policy makers and district coordinator;
- Cost effectiveness should be treated not only as a consequence of good programme development but also as a consequence of peoples' direct involvement in deciding about the allocation of scarce resources and using them.
- Development programme administration should spell out an approach to urban basic services but 'start up' must be based on how communities are already meeting their own basic needs; and
- Planning for any action should begin at the community level.

### *UBS and Support of Other Development Agencies*

Besides state level agencies-boards, Urban Development Authorities, Town Improvement Trusts and Slum Clearance Boards the Urban programmes are also being supported by the Union Government, the UNICEF and the World Bank. The programmes of urban community development, integrated development of small and medium towns and low-cost sanitation supported by UNICEF are being provided together through a single package of urban basic services (UBS). The programmes are designed to enhance the survival and development of children and women of the low-income urban families in selected least developed districts. These programmes are in consonance with the government policy to improve the quality of life of children. The National Policy of Children, 1974, declared that: "It shall be the policy of the state to provide adequate services for children, both before and after birth and through the period of growth, to ensure their full, physical, mental and social development. The broad objectives of the programme are the followings:

- reduce substantially the mortality and morbidity rates;
- develop the potential of children through improved access to learning opportunities and other basic services;
- enhance the awareness and ability of the urban low income community to meet its own needs, particularly those of children with or without outside help; and
- improve capacity of the municipal authorities and voluntary organisations to effectively launch and manage child specific programmes for the urban poor.

### *Mutual Reinforcement of Strategies*

In pursuing the spatial perspective of urban development, the Urban Basic Services (UBS) programme seeks mutual reinforcement and works closely with government programmes such as Integrated Child Development Services (ICDS), Social Inputs in Area Development (SIAD), Development of Women and Children in Rural Areas (DWCRA) and Integrated Development of Small and Medium Towns (IDSMT) and Urban Community Development which are active both in rural and urban areas of the district with a view to bring social equity by reducing rural and urban imbalances in social development. The Integrated Child Development Services (ICDS) which is designed both as preventive and developmental effort, would reach children and their mothers in villages and slums in urban areas for delivering an integrated package of services. But there is a dire necessity of building effective functional linkages between the ICDS system and the health systems, so that both mutually reinforce each other rather than working at ciess

purposes. Development administration must meet the demands of inter-departmental coordination.

#### *The Pilot Project*

The Madhya Pradesh integrated urban development project is the first pilot project which has been taken up by the World Bank and Housing and Urban Development Corporation at a state level, multi-city project to provide improved services and shelter to about 3.5 lakh urban poor in 10 towns of Madhya Pradesh. Initially the towns to be covered under the programme are Dewas, Indore, Ujjain, Durg, Bhilai, and Raipur and 4 other towns would be selected afterwards. The multi-city project would be partly implemented by the State Housing Board and partly by the Municipal Bodies and Development Authorities of the selected towns. The project is intended to include the following components of development :

- (a) area specific development;
- (b) improvement/upgradation of slums in medium size towns;
- (c) sanitation and solid wastes management;
- (d) provision of offside infrastructure; and
- (e) development of municipal maintenance capability by providing equipments and technical support.

The project proposes to construct 18,425 dwelling units/plots under area specific development, benefiting about 37,500 families of urban poor living in 75 slum settlements of six selected towns. The slums would be upgraded with improved services and hygienic conditions. The improved services would include roads, drainage, street lighting, public latrines and about 6,500 latrines for individual families and other related needed infrastructure. A sum of Rs. 5.60 crore has been earmarked for technical and institutional support.

#### *Policy Perspective*

The most important principle of UBS approach in urban programming is that it enables the process of development and eventually formulates solutions which can be implemented by the community itself. Given the support that they need, urban poor have the capabilities to resolve their own problems, may be in the field of housing or income generating schemes. Public participation is a human right, a political duty and an instrument essential for national development, especially under the conditions of resource scarcity. Unless their participation is encouraged by the appropriate political, economic and social institutions, people can not identify themselves with the decisions which affect their daily lives. But these institutions responsible for

development and planning for urban basic services have little or no training or experience with the programmes in the area. Practical training in urban community based programmes is rarely available in the universities or training institutions. This aspect needs to be given due importance and appropriate training programme needs to be formulated and community organisations need to be strengthened for the use of appropriate technology. This is an added dimension to UBS approach to urban development.

While making urban programmes under UBS, continuity in terms of objectives and actions need to be suitably framed within the context of multi-year programmes. This will necessitate mechanics of an effective transfer of information, coordination and involvement among sectors and thus needed sectoral 'integration' of total plan in the context of all other sectors. If this is not done and the prescribed schemes are simply pursued, there is every danger of the programme becoming the one, where money is spent but the objectives are not realised. The issue of monitoring and evaluation is, therefore, to be linked to the response capacity at the local level, where operational problems are solved. The language and method used should permit participated monitoring between field workers (development agent) and the community.

The concept of UBS in the process of urban development depends upon production economy. Therefore, it should be linked to the territorial space, employment sector and the level of threshold to each kind of services. While planning for the UBS, the paying capacity of both the civic body as well as of resident population has to be given due consideration for the convergence of services. There is also need to understand how the elements of small towns are sustaining the activity of these towns and also there is a need to examine the pace of organisational and institutional changes that are taking place in the context of physical, social and economic development of towns and cities.

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## *Abolition of Octroi : Lessons from Karnataka Experience\**

G. THIMMIAIH

OCTROI HAS been a controversial source of municipal revenue in India for the last one century. Virtually every committee which examined the merits and demerits of octroi agreed with Sir Charles Trevelyan's remark that octroi is a "remains of barbarous system of universal taxation". However, of all the committees which examined the future of octroi, the Taxation Enquiry Commission of 1953-54 and Zakaria Committee gave the benefit of doubt and made cautious recommendations. For instance, the Taxation Enquiry Commission after examining the merits and demerits of octroi came to the conclusion that "Unfortunately, on any except a long range view of the situation, it is not practicable to envisage the wholesale abolition of octroi. It is obvious that unless adequate alternative resources are developed by all local bodies, such a course will have extremely adverse effects on the municipalities and municipal corporations"<sup>1</sup>. Zakaria Committee also came to similar conclusion, viz., "We are also of the view that bad as octroi is as a form of local taxation, it cannot be abolished outright unless alternative sources of taxation which should compensate for the consequential loss of revenue are found."<sup>2</sup> However several other official committees like Rural-Urban Relationship Committee recommended for the abolition of octroi. The Rural-Urban Relationship Committee maintained that "Octroi constitutes a major hindrance to the free flow of traffic and trade and hence it retards the growth of commercial and industrial activities. It is in the national interest that the octroi and terminal taxes should go"<sup>3</sup>. Such recommendations have been used by the critics of octroi to plead for its

\* Prepared for the National Commission on Urbanisation.

<sup>1</sup>Government of India, Ministry of Finance, *Report of the Taxation Enquiry Commission*, Vol. III, 1953-54, New Delhi, 1955, p. 405.

<sup>2</sup>*Augmentation of Financial Resources of Urban Local Bodies : Report of the Committee of Ministers Constituted by the Central Council of Local Self-Government*, November 1963, (Chairman : Rafiq Zakaria), pp. 48-49.

abolition all over India. The justifications put forward by the anti-octroi lobby have been the following :

1. Collection of octroi requires stopping and inspection of goods vehicles which carry goods and therefore creates impediments in the smooth movement of traffic across the boundaries of the states. This process involves waste of time and fuel.
2. Because of the requirement to check the goods and determine the rate of octroi, it encourages corruption.
3. Since octroi is mostly in the form of specific duty, its incidence would be regressive.

These arguments have been put forward to highlight the drawbacks of octroi and then as a logical step to recommend for its abolition.

#### UNDEMOCRATIC DECISION

In Karnataka, octroi was in operation till March 1979 and it was abolished from April 1, 1979. There is a curious background to this decision to abolish octroi in Karnataka. Though the debate about the abolition of octroi was going on and the representatives of trade and commerce were demanding for its abolition, the state government and the urban local bodies were not convinced about the arguments advanced against octroi. However, by 1978-79, most of the elected Municipal Councils came to be either suspended or elections were not held after the expiry of the term of the previous elected councils. Both these decisions of the state government were motivated by political considerations. In other words, when octroi was abolished in April 1979, most of the city corporations and municipalities were run by state government appointed administrators and not by elected representatives. This means when a major decision regarding the future of an important local source of revenue was taken, the elected local governments were not functioning and it was the state government which took the undemocratic decision to abolish octroi.

But more interesting inside story about how even the state government was forced to take such an undemocratic decision to abolish octroi has been revealed by a retired Law Officer of the state Government of Karnataka. The Government of Karnataka had passed a new legislation relating to the Urban Local Bodies : *The Karnataka Municipal Corporations Act, 1976*. This legislation was sent to the President of India for his assent and the Central government, while

<sup>a</sup>Government of India, Ministry of Health and Family Planning, *Report of the Rural-Urban Relationship Committee*, Vol. I, New Delhi, 1966, p. 94.

giving advice to the President, imposed a condition that the President would give assent to the legislation only if the government of Karnataka agreed to abolish octroi. This is a very serious matter which deserves to be brought to the notice of the public. It shows the ways and means used by the Central government to reduce the financial powers of the lower levels of governments. The Government of Karnataka had no alternative but to agree for this condition, as being a Congress-I government, the state government could not pick up a quarrel with Congress-I government with at the Centre on this issue. Accordingly, a decision was taken to abolish octroi from April 1, 1979.

The main points in which we are interested are : (1) what has been the financial consequences of the abolition of octroi to the urban local bodies in Karnataka? (2) Have the intended objectives of abolition of octroi been achieved in Karnataka? Answers to these questions from the experience of Karnataka will provide appropriate lessons for future policy decisions of other state governments which are still examining the pros and cons of abolition of octroi.

#### FINANCIAL CONSEQUENCES

Though the question of abolition of octroi in Karnataka was examined by several state level official committees, there was no unanimity in their recommendations. For example, the Bhoothalingam Committee which examined this issue in 1969 with reference to Karnataka, recommended that octroi should be abolished in Karnataka. But the Committee did not make any specific recommendation regarding the alternative source of revenue to replace octroi. However, the Municipal Finance Enquiry Committee appointed by the Government of Karnataka in 1975 examined the issues in great detail in the light of the opinions of various all India committees, and reviewed the financial implications of the abolition of octroi. After analysing the merits and demerits of alternative sources of revenue suggested by many committees to make good the loss of revenue, the Committee expressed the opinion that "Our advice to the state government would be to defer the question of oft repeated abolition of octroi since such an abolition will not help holding price line or giving stability to the economy. Any alternative tax will have a cumulative burden on the large section of people. Replacing octroi by other taxes will not remove corruption, evasion or trade difficulties. After some time if people are educated, both traders and consumers will come to know that they will be paying much more than what they used to pay on octroi"<sup>4</sup>. It will be shown below how this prophecy has come true in

<sup>4</sup>Government of Karnataka, *Report of the Municipal Finance Enquiry Committee*, August, 1975, pp. 132-33.

Karnataka rather too soon.

Table 1 shows the revenue from octroi which was raised by various city corporations and other municipalities from 1969-70 to 1978-79. Table 2 shows the relative importance of octroi revenue in the total revenue and total tax revenue of corporations and municipalities during selected years. It may be observed that octroi revenue constituted about 24 per cent of total revenue and 40 per cent of total tax revenue of corporations and about 26 per cent of total revenue and 60 per cent total tax revenue of municipalities. This would roughly indicate the revenue importance of octroi to urban local bodies in Karnataka. At the time of the abolition of octroi in 1979, the total revenue realised was Rs. 21.62 crore and the state government agreed to compensate the loss of this revenue first by guaranteeing the actual revenue raised by each of the corporations and municipalities. Subsequently, a 5 per cent growth rate was added and the octroi compensation grants were increased every year by 5 per cent from 1979-80 to 1981-82. After repeated protests, octroi compensatory grants were increased by 10 per cent every year from 1982-83. The compensatory grants received by municipalities, however, do not really reflect the revenue which they would have otherwise realised. By applying the time rate of growth of octroi revenue for the period from 1969-70 to 1978-79, we have estimated the probable amount of revenue which the six corporations and other municipalities would have received as compared to what they are receiving today in the form of octroi compensatory grants. The results are presented in Tables 3 and 4. Our estimates clearly indicate that they are receiving less than the octroi revenue which they would have otherwise raised. We have shown the magnitude of net loss of revenue to the urban local bodies in Karnataka in Table 5. It may be observed that except Mangalore Corporation all other corporations and municipalities have experienced net losses. The worst sufferer has been the Bangalore city corporation. It is true that the state government has increased 'development grant' and other forms of transfers like tax shares on the recommendation of the Karnataka Taxation Committee of 1981. But urban local bodies would have received all these increased grants even if octroi had continued to operate in Karnataka. The Taxation Review Committee of 1981 noted that when the octroi was abolished, the state government had intended to make good the loss of revenue by levying a 10 per cent surcharge on sales tax which was estimated to fetch about Rs. 12 crore and to levy entry tax on textile, sugar, tobacco and tobacco products which were not taxable under sales tax as they were brought under the additional union excise duties. This entry tax was estimated to yield Rs. 7 crore in 1979-80 itself. Besides, since the beneficiaries of abolition of octroi were the transport operators, the state government

TABLE 1 REVENUE FROM OCTROI COLLECTED BY CORPORATIONS AND MUNICIPALITIES IN KARNATAKA PRIOR TO ITS ABOLITION

(Rs. in crores)

Year	Bangalore Corporation	Belgaum* Corporation	Hubli-Dharwad Corporation	Gulbarga* Corporation	Mangalore* Corporation	Mysore* Corporation	All Six Corporations	All Other Municipalities	Total of all Urban Local Bodies
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1969-70	1.90	0.51	0.46	0.20	—	0.41	3.48	2.24	5.72
1970-71	2.13	0.53	0.53	0.22	—	0.47	3.88	6.23	10.11
1971-72	2.42	0.54	0.65	0.21	—	0.51	4.33	4.10	8.43
1972-73	2.75	0.64	0.79	0.23	—	0.56	4.97	3.08	8.05
1973-74	3.40	0.74	0.87	0.28	—	0.66	5.95	3.54	9.49
1974-75	3.87	0.90	1.09	0.32	—	0.73	6.91	6.70	13.61
1975-76	6.83	0.98	1.18	0.37	—	0.81	10.17	4.38	14.55
1976-77	7.81	1.09	1.32	0.45	0.78	0.97	12.42	5.52	17.94
1977-78	8.68	0.39	1.49	0.41	0.80	1.06	12.83	5.67	18.50
1978-79	10.53	1.02	1.83	0.43	0.91	0.95	15.67	5.95	21.62

NOTE : \*Belgaum and Mysore city municipalities were upgraded to corporation status in 1977, and Mangalore city municipality was upgraded to corporation status in 1980 and Gulberga city municipality was upgraded to corporation status in 1984.

TABLE 2 RELATIVE CONTRIBUTION OF OCTROI TO TOTAL REVENUE AND TOTAL TAX REVENUE OF TWO CORPORATIONS AND OTHER MUNICIPALITIES IN KARNATAKA DURING SELECTED YEARS

Year	Corporations				Municipalities			
	Revenue (Rs. crores)	Percentage to total revenue	Percentage to total tax revenue	Revenue (Rs. crores)	Percentage to total revenue	Percentage to total tax revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)		
1960-61	1.111*	14.69	43.68	1.45	16.87	52.39		
1964-65	2.44†	27.56	54.23	1.68	19.72	53.21		
1970-71	2.66†	21.45	44.36	3.60	22.92	58.37		
1974-75	4.97†	23.71	40.00	—	—	—		
1975-76	—	—	—	7.17	25.69	60.29		
Annual Growth Rate (%)								
1961-71	9.1	—	—	8.6	—	—		

NOTE : \* Data relate to Bangalore City Corporation only.

† Data relate to Bangalore and Hubli-Dharwad City Corporations only.

TABLE 3 OCTROI COMPENSATION GRANT PROVIDED BY STATE GOVERNMENT TO URBAN LOCAL BODIES IN KARNATAKA

(Rs. in crores)

Year	Bangalore Corporation	Belgaum Corporation	Hubli-Dharwad Corporation	Gulbarga Corporation	Mangalore Corporation	Mysore Corporation	All the Six Corporations (2+7)	All Other Municipalities	Total of all Urban Local Bodies (8+9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1979-80	11.06	1.07	1.92	0.45	0.96	1.00	16.45	6.25	22.71
1980-81	11.61	1.12	2.02	0.47	1.00	1.05	17.27	6.56	23.83
1981-82	12.19	1.18	2.11	0.50	1.05	1.10	18.13	6.89	25.02
1982-83	13.41	1.29	2.32	0.55	1.16	1.21	19.94	7.58	27.52
1983-84	14.75	1.43	2.55	0.61	1.27	1.33	21.94	8.33	30.27
1984-85	16.23	1.57	2.81	0.67	1.40	1.46	24.14	9.17	33.31
1985-86	17.85	1.73	3.09	0.73	1.53	1.61	26.54	10.09	36.63

TABLE 4 REVENUE FROM OCTROI WHICH WOULD HAVE ACCRUED TO URBAN LOCAL BODIES IF OCTROI WAS NOT ABOLISHED

(Rs. in crores)

Year	Bangalore Corporation	Belgaum Corporation	Hubli-Dharwad Corporation	Gulbarga Corporation	Mangalore Corporation	Mysore Corporation	All the Corporations (2-7)	All Other Municipalities	Total of all Urban Local Bodies (8+9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1979-80	12.50	1.09	2.10	0.46	0.96	1.03	18.14	6.56	24.47
1980-81	14.81	1.17	2.41	0.50	1.01	1.12	21.05	7.23	28.28
1981-82	17.61	1.26	2.77	0.54	1.06	1.22	24.46	7.98	32.44
1982-83	20.90	1.34	3.18	0.59	1.12	1.33	28.46	8.80	37.26
1983-84	24.81	1.44	3.65	0.63	1.18	1.44	33.15	9.71	42.86
1984-85	29.45	1.55	4.19	0.68	1.24	1.57	38.68	10.71	49.39
1985-86	34.96	1.66	4.81	0.74	1.31	1.70	45.18	11.82	57.00

NOTE: The Estimates are made on the basis of the time rate of growth of revenue from Octroi for each of the Corporations and all municipalities during the period from 1969-70 to 1978-79.

TABLE 5 NET LESS OF REVENUE TO URBAN LOCAL BODIES DUE TO  
ABOLITION OF OCTROI IN KARNATAKA

(Rs. in crores)

<i>Year</i>	<i>Bangalore Corporation</i>	<i>Belgaum Corporation</i>	<i>HUBLI-DHARWAD CORPORATION</i>	<i>GULBARGA CORPORATION</i>	<i>MANGALORE CORPORATION</i>	<i>MYSORE CORPORATION</i>	<i>All the Corporations (2 to 7)</i>	<i>All Other Municipalities</i>	<i>Total of all Urban Local Bodies (8+9)</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1979-80	— 1.44	— 0.02	— 0.18	— 0.01	Nil	— 0.03	— 1.68	— 0.31	— 1.99
1980-81	— 3.23	— 0.05	— 0.39	— 0.03	— 0.01	— 0.07	— 3.78	— 0.67	— 4.45
1981-82	— 5.42	— 0.08	— 0.66	— 0.04	— 0.01	— 0.12	— 6.33	— 1.09	— 7.42
1982-83	— 7.49	— 0.05	— 0.86	— 0.04	+ 0.04	— 0.12	— 8.60	— 1.22	— 9.82
1983-84	— 10.06	— 0.01	— 0.10	— 0.02	+ 0.09	— 0.11	— 11.39	— 1.38	— 12.77
1984-85	— 13.22	+ 0.02	— 1.38	— 0.01	+ 0.16	— 0.11	— 14.90	— 1.54	— 16.44
1985-86	— 17.11	+ 0.07	— 1.72	— 0.01	+ 0.22	— 0.09	— 19.22	— 1.73	— 20.95
Cumulative total for the years from 1979-80 to 1985-86	— 57.97	— 0.10	— 6.29	— 0.16	+ 0.49	— 0.65	— 65.90	— 7.94	— 73.84

NOTES : 1. The net loss is estimated as the difference between the revenue which the urban local bodies would have obtained if octroi was not abolished and the Octroi Compensation grant received.

2. Plus signs indicate net gain and minus signs indicate net loss.

had intended to levy a 10 per cent surcharge on motor vehicles tax which was expected to yield about Rs. 5 crore per annum. The state government finally levied 10 per cent surcharge on sales tax and one per cent entry tax. In the initial period the entry tax legislation was involved in litigation. But the 10 per cent surcharge on motor vehicles tax was never levied.

In regard to the compensatory grants, the Committee noted that the compensatory grant was allowed to increase by 5 per cent during the first two years, that is from 1980-81 to 1981-82 but later on it was increased to 10 per cent and therefore the Committee recommended that this 10 per cent rate of growth should be continued uniformly in future. In regard to those local bodies which did not receive any compensatory grant because they were not levying octroi at the time of its abolition, the Committee recommended that some grant-in-aid should be provided to them also for taking away the right to levy octroi. However, this Committee recommended abolition of 10 per cent

surcharge on sales tax as a part of sales tax rationalisation measure. To compensate that loss, the Committee recommended increased proportion of tax shares under entertainment tax, motor vehicles tax and profession tax. The Committee accepted the *fait accompli* of the abolition of octroi after examining the background to the decision of abolishing it and therefore the Committee tried to ensure increasing revenue to the urban local bodies in the form of growing compensatory grants.

Subsequently, on the recommendation of Taxation Review Committee of 1981, the Government of Karnataka appointed a Local Finance Commission in 1983 which submitted its report in 1986. This Commission has observed that the "Present Commission with regret have to observe that in Karnataka, the decision for the abolition of octroi has been taken in haste and without giving adequate attention how the loss of income that is suffered by the local bodies could be made good. However, whatever compensation the Government might pay would not really help the local bodies to the extent that they would expect. It is only for this reason that even cities like Bombay have not been able to abolish the levy. In Bombay, it is understood that the realisation under this head is Rs. 142 crore out of the total of Rs. 300 crore. The Government of Maharashtra would certainly be hard put to find resources to compensate to the Bombay Corporation in case it is abolished. The position is not really very much different even in Karnataka. To quote an instance, the Bangalore City Corporation itself would have been earning today not less than Rs. 20 crore, but the compensation is being based on octroi revenue that they got nearly a decade ago with an inadequate provision to offset the growth rate"<sup>5</sup>. Further, the Commission observed that "...with all the drawbacks mentioned.. octroi was a really flexible source of income and if this is reintroduced, to a very great extent, the government will be able to reduce the grants from the general revenue".

The Commission further stated that "However, even if the government is not agreeable for reintroduction of octroi, we recommend that the growth rate for releasing octroi compensation grant may be raised to 20 per cent<sup>6</sup>."

Thus the Karnataka Local Finance Commission which examined the revenue implication of abolition of octroi, has come to the conclusion that the decision to abolish octroi was taken in haste probably

<sup>5</sup>Government of Karnataka, *Karnataka Taxation Review Committee, 1981, Part II, Report on Local Finances*, Bangalore, 1983, p. 73.

<sup>6</sup>KTRC o.p. cit., p. 746.

because it was imposed on the state government by the back door and the full financial implication of such a decision on the finances of the urban local bodies were not examined by the state government. We have estimated in Table 5 that the cumulative net loss has been Rs. 73.84 crore. Even if we allow for the increase in other grants and tax shares during the same period, the urban local bodies would still experience cumulative net loss on account of abolition of octroi.

#### OTHER CONSEQUENCES

Next, it would be appropriate to examine whether all the benefits which the transport operators and traders expected, have been realised or not in Karnataka. It is true that the transport operators are not made to stop now the goods carrying vehicles at the octroi gates of the cities and towns as they are abolished. But, instead, new gates have been opened by the state government in the form of sales tax check posts to prevent the evasion of sales tax in the course of inter-state movement of goods. Today there are about 29 such check posts in Karnataka, of which 16 are located in inter-state borders and 13 are internal check posts. Though the check posts were originally located at the inter-state borders, because of the increased attempts made by the drivers of goods vehicles to avoid such check posts, several new check posts have also been created within the boundaries of the state. These internal check posts have created much worse form of barriers to inter-state movement of trade and transport. The time taken to get the documents verified and vehicles cleared at each check point is much longer than what used to be at the octroi gates. Corruption has not come down. Instead, the magnitude of the amount of corruption seems to have increased. In addition to this, the transport vehicles have come to be regularly checked for payment of tax and also for holding valid permits to ply the vehicles in inter-state routes. This form of regular checking by the road transport authorities and the police has increased in recent years because of the increased luxury bus traffic in the name of tourist buses. It is also alleged that the traders use the members of their family and friends to transport small quantities of valuable and taxable goods across the boundaries of the states without payment of any tax by booking them as luggage in luxury tourist coaches. As a result, the police and the sales tax personnel have started checking these buses also at appropriate points. All these go to prove the fact that the benefits which traders and transport operators hoped to enjoy by the abolition of octroi in the form of free and quick movement of traffic has not been realised. One may, therefore, argue that the newly created barriers (internal check posts) should also be abolished. But that cannot be done because it will only increase large scale tax evasion

particularly in the case of sales tax. That would only expose the true intentions of the traders.

The argument that the abolition of octroi will reduce the prices of the commodities which are brought into the city for sale has not been borne out by facts. In India, when tax rates are raised, they are added to the prices and passed on to the consumers. But when tax rates are reduced or taxes are abolished as in the case of octroi in Karnataka, the prices are not accordingly reduced and the benefit is not passed on to the consumers. This is the tax culture that has developed in India because of the protection of Indian producers and traders from foreign competition.

Apart from this, in place of octroi some state governments like Karnataka have started levying entry tax. First this entry tax was levied on textiles, sugar, tobacco including manufactured tobacco as these commodities were not covered by sales tax. So when a 10 per cent surcharge on sales tax was levied on other commodities to make good the loss of revenue from the octroi, similar surcharge could not be levied on these commodities because they are covered by additional union excise duties. Therefore, the state government in Karnataka decided to levy 1 per cent entry tax to begin with. This legislation was challenged by the traders in the High Court and ultimately the Supreme Court upheld the legislation in 1979. Since then the rate of entry tax has been extended to a few other commodities other than those on which entry tax was originally levied. Following the example of West Bengal, (extension of entry-tax to many more commodities), the Taxation Review Committee of 1981 recommended that depending upon the financial needs of the state government, entry tax could be extended to other commodities also. This would mean that very soon the entry tax is going to be levied on all the commodities on which octroi was levied. Since entry tax is *ad valorem*, the price impact of this new levy would be much more than what used to be under octroi which was, by and large, a specific duty.

From the point of view of urban local bodies, the abolition of octroi has created financial stringency which has not been solved by the state government because the state government itself is facing financial straight jacket and it is much more so in the case of Karnataka government which has been forced to spend huge sums on drought relief. Under these circumstances, the city corporations and municipalities cannot expect the state government to further increase the grants-in-aid substantially. Consequently, the only tax which is left with them is the property tax. But since the property tax is a direct tax, it creates voter-tax-payers' resistance. In fact, the recent proposal to levy 10 per cent water cess on property tax to raise some revenue has met with widespread opposition in Karnataka. This would not have

happened in the case of octroi because it was an indirect tax which used to be passed on slowly in small doses to the consumers and the only effective pressure group which used to oppose octroi was the transport operators and the traders. The property tax payers are trying to form an effective pressure group in the urban areas of Karnataka. The elected local governments (six corporation councils and other municipal councils) which are functioning now in Karnataka find it difficult to confront them.

The state government has not been handing over the revenue from the entry tax to the six corporations and municipalities. Instead, it has increased the tax shares from profession tax, entertainment tax and motor vehicles tax. But all these have not solved the liquidity problem of the urban local bodies. In other words, though the total sum of financial transfers which the six corporations and municipalities are receiving now as compared to the period prior to the abolition of octroi is more, they do not receive these financial transfers regularly on daily or monthly basis. Most of these grants are released on quarterly basis that too after the completion of the quarter. The corporations and municipalities require every month adequate liquid cash to meet establishment charges. The liquidity problem has been accentuated because of the abolition of octroi. One way to solve this problem is to hand over on monthly basis the revenue received under entry tax. This has not been conceded by the state government because of the huge revenue that entry tax is fetching.

Thus it is very clear from the foregoing analysis that the abolition of octroi was justified by the 'pressure groups' motivated by their own self interest. This self-interest was transformed into romantic arguments of free movement of goods and vehicles across the borders of the states. But in actual practice this has not happened. On the contrary, more barriers necessitated by the administrative need for preventing sales tax evasion, have been created which cannot be dismantled at the present juncture. From the point of view of financial consequences, six corporations and other municipalities in Karnataka have suffered a great deal and today they are not in a position to meet the demand for basic civic services. It was in this context that the Local Finance Commission regretted the decision of the state government to abolish octroi. This experience of Karnataka should provide a very useful and appropriate lesson for other states which have been thinking of abolishing octroi either out of genuine conviction to do away with this outmoded tax or pressurised by self-interest groups. □

## *Case Studies of Three Urban Local Bodies: Some Implications for Urban Finances in India*

P.L.N. RAJU

THE PURPOSE of studying the financial operations of three urban local bodies is to bring forth certain issues in their finances and expenditures and to put the role played by them in urban development in the right perspective. We have selected the three municipal bodies, namely, the Corporation of Madras, the Corporation of Bangalore and the Town Municipality of Mandya for our case studies such that an analysis of their respective budgets may throw some light on the changes in the financial structures of urban local bodies that take place when they progress from a lower level to a higher level of urban development. We try to highlight a few general problems faced by them and look for plausible solutions. The description of each municipal body will cover only areas of some importance and interest based on which certain generalisations can be drawn on the working of urban local government in India. We divide the descriptive case studies into two broad sections. The first section will be devoted to elaborate on the working of each municipal body. Section two brings together some issues of municipal finances emerging from the description in the preceding section.

### I

#### *The Mandya Town Municipality*

The Mandya Town Municipality is a district headquarter situated at a distance of about 100 kms from Bangalore city in Karnataka state. The municipality which came into existence in 1960 had a geographical area of 10.83 sq. kms in 1984. The population of this town has gone up from 72,132 in 1971 to 1,00,264 in 1984 showing an annual average growth rate of 2.6 per cent. The municipality has 365 employees—both temporary and permanent. There are 12,122 rate

payers on the property tax register. Elections to the municipal council were last held in 1983.

This is one of the towns which the government of Karnataka intends to developing as a counter magnet for Bangalore. In this context it will be of some interest to look into the finances of the Town Municipality to find out whether it has the potential to develop in the desired direction or not. The time series data available for this municipality can be divided into two periods, pre and post 1979-80. This distinction has been drawn given that the Government of Karnataka had abolished the most dynamic tax resource of the municipality, namely, octroi in that year. In lieu, the municipality has been receiving an octroi compensation grant (OCG).

We will first take up the performance of property tax.

	1971-72	1978-79	1979-80	1982-83
Property tax as a per cent of own tax revenues	15	29	85	85
Property tax as a per cent of own revenues when octroi compensation grant is included in own tax revenues			40	53
Rate of growth of property tax revenues :				
Between 1971-72 and 1978-79	=	29 per cent		
Between 1979-80 and 1982-83	=	15 per cent		
Between 1971-72 and 1982-83	=	28 per cent		
Percentage change in property tax between 1979-80 and 1978-79	=	75 per cent		

A few interesting points seem to emerge from the data presented above: (i) Even during the 1971-72 and 1978-79 period, property tax has been growing in significance in the municipal revenues. In general, it is believed that octroi is an elastic source of revenue and thus its share in own tax revenue may grow faster compared to property tax receipts. But in this case property tax seems to be equally buoyant given its increasing share in the municipal tax receipts. Its share has not shown any downward trend even prior to 1978-79. (ii) The compound growth rate either between 1971-72 and 1978-79 or between 1971-72 and 1982-83 has been more or less the same. This appears to be puzzling when compared with the growth rate between 1979-80 and 1982-83 which is just about half of what it had been between 1971-72 and 1982-83. The apparent contradiction between the growth rates and percentage shares can be explained by looking at the increase in property tax collection between 1979-80 and 1978-79, which shows a

75 per cent rise. This quantum jump has made up the slow growth rate between 1979-80 and 1982-83. The sudden increase has not been due to any large scale revision of assessments but more due to the concerted efforts to raise more revenue from this source after the abolition of octroi. But once the octroi compensation grant has been found to make up fully the loss incurred without octroi, the property tax receipts have stagnated once again. There seems to be some kind of hatchet effect working in this area. After an external shock, tax receipts also move to a higher plateau and then grow at a slower pace. The increase in the rate of property tax also does not seem to explain these variations because the existing rate (in 1982-83) of 10 per cent is higher by just 2 per cent over the earlier rate. A plausible explanation is that the municipality has been forced to raise additional revenue in the light of uncertainty regarding the magnitude of the octroi compensation grant.

Octroi/octroi compensation grant is the other major source of revenue for the municipality besides the property tax.

	1971-72	1978-79	1979-80	1981-82	1982-83
Octroi as a percentage: of own tax revenue		77	65		
Octroi as a percentage of own revenue when OCG has been included in own tax revenue			53	46	38
Growth rate of octroi receipts:					
Between 1971-72 and 1978-79	=		15		
Between 1979-80 and 1981-82	=		7		
Between 1971-72 and 1981-82	=		12		

It is clear from the above data that not only the share of octroi in own tax revenues has been declining between 1978-79 and 1971-72 but it continued to do so even after the introduction of the octroi compensation grant. Some inferences drawn from the above data are given here. The receipts from octroi, which are the main stay of municipal revenues to pay the monthly 'wage bill' has not grown as it should have. This will increase the pressure on the municipality to find other means of liquid cash to pay the monthly salaries of the municipal staff. The OCG is supposed to have been given in quarterly instalments to ease this pressure on the municipality. But the irregularity in the periodicity of such releases is a destabilizing factor in the working of the municipality. The magnitude of the OCG also does not seem to have been based on any set formula. In 1978-79, the octroi revenue was Rs. 12.17 lakh. The state government released a grant of Rs. 12.31 lakh in lieu of octroi during 1979-80 followed by Rs. 12.21 lakh in 1980-81,

Rs. 14.08 lakh in 1981-82 and Rs. 10.35 lakh in 1982-83. In terms of growth rate, it works out to be 7 per cent between 1981-82 and 1979-80 which is about half of what it had been between 1978-79 and 1971-72. One fails to understand on what basis the OCG figures have been worked out. These issues have been put forward to the consideration of the recent Karnataka Local Finance Commission.

One of the methods used by the Municipality to raise additional resources from time to time has been through the sale of municipal properties, especially land. This had been resorted to in 1977-78 and been proposed for the year 1984-85 (BE). Instead of constructing shops/commercial complexes which can yield revenue on continuous basis, the municipality has resorted to selling the municipal land for private use. The municipal officials plead that construction of remunerative enterprises has not been taken up due to: (i) lack of capital funds, and (ii) the assumed lack of response from the commercial sector to make use of the facilities once they have been provided. The alternative adopted by the municipality may be profitable in the short run to bring in lumpsum revenue but may affect adversely the long run financial position of the local body since in future, it will not have the scope to diversify its revenue resources. It is interesting to note that the latest sale proposal came up after the elections to the municipal council in 1983.

Among the shared taxes, the entertainment tax has the largest share. The state government passes to the municipality the entire proceeds collected within the municipal area after deducting collection charges at 10 per cent. This is a source which may prove important in the urban development process. Data regarding its position in Mandya Municipal Finances have been given below.

	1971-72	1978-79	1979-80	1982-83
Entertainment tax as a percentage of total revenue receipts	13	12	12	16

#### Growth rate of entertainment Tax:

- Between 1971-72 and 1978-79 = 10 per cent
- Between 1971-72 and 1982-83 = 10 per cent
- Between 1979-80 and 1982-83 = 9 per cent

As can be seen in the above data, entertainment tax has maintained its relative position in the municipal revenues. Since there are no exogenous factors affecting its growth, the receipts from it do not show any fluctuations. The municipality has been able to profit from the automatic growth in these receipts because they have been directly

passed back from the state government. This is the advantage of linking a particular financial transfer to a specific source.

The overall revenue resource position of the municipality has been shown below :

	1971-72	1979-80	1982-83
Own tax revenues as a percentage of total revenue receipts	27	23	38
Grants —do—	3	28	29
Shared tax revenue —do—	13	13	18

#### Growth rate of own tax revenues:

Between 1978-79 and 1971-72 = 18 per cent

Between 1982-83 and 1979-80 = 15 per cent

Between 1982-83 and 1971-72 = 19 per cent

#### Growth rate of grants:

Between 1978-79 and 1971-72 = 9 per cent

Between 1981-82 and 1979-80 = 10 per cent

Between 1981-82 and 1971-72 = 36 per cent

#### Growth rate of shared tax revenue:

Between 1978-79 and 1971-72 = 10 per cent

Between 1982-83 and 1979-80 = 11 per cent

Between 1982-83 and 1971-72 = 11 per cent

The share of own tax revenues shows an increase despite the abolition of octroi mainly due to additional resource mobilisation through property tax. It means that even in the absence of octroi the municipality has been able to marshall its own tax revenues, to some extent, through property tax collections. But at the same time the steep rise in grant portion due to the operation of the OCG system reflects the dependency of the local body on the state government for its finances. This in turn indicates an urgent need to set up certain norms for the OCG such that the arbitrary role of the state government in municipal finances is minimized. The constancy of the share of shared taxes is mainly due to the growth of the entertainment tax receipts at the same rate as total revenue receipts. But one expects these tax receipts to grow much faster than the total revenue receipts because in the process of urban development the receipts from this tax should grow very rapidly. The non tax revenue component has been more or less on the decline over the years with the sale proceeds from municipal properties, compost, etc., contributing a lion's share in it. The decline is understandable given that there is no recurring source of receipts under this category like rents from shopping complexes.

The loan receipts of the municipality show an interesting feature. The local body received from time to time loans from the Government of Karnataka for water supply and drainage improvement. These loans have been given at concessional rates of interest ranging from 5 per cent to 7 per cent on long-term basis of over 15 years. After the creation of the Karnataka Urban Water Supply and Drainage Board in 1974, these loans have been deposited with the KWS & DB fund for taking up the necessary works. The state government has also permitted the municipality to borrow from the LIC. This shows the awareness on part of the state government of the importance of these two large investment based basic municipal services in a developing urban centre. Since the meagre resources of the municipalities do not enable them to take up such large investment based works, the state government's positive response in creating a state level Board for this purpose is laudable. But unless the local body adopts a reasonable pricing policy for water, its loan repayment burden may prove detrimental to the provision of other civic services.

On the expenditure side of the municipal budget, we look into the expenditure data for the period 1982-84 only since the data for the previous years were not properly classified for our use. What is true of the pattern between 1982-84 has been assumed to be valid for the earlier years. This assumption has been checked against certain expenditure items wherever possible and found to be appropriate. We highlight some expenditure items only. Sanitation expenditures occupy the primary position in the municipal budget. Between 1982-85, the actual expenditures on this account do not show any marked increase, if we leave out the substantial repayment of debt proposed for 1984-85. In terms of proportions in total revenue expenditures, they even show a decline. At the same time the rough estimates of administration expenses under this head remain constant at 15 per cent of revenue expenditure. The inference is very clear. Even if we accept that sanitation is a highly labour intensive service, the mere maintenance of staff will prove to be a drag on the municipal finances over time. At the aggregate level, our rough estimates show that about 20 per cent of the revenue expenditures is devoted to the maintenance of establishment. This top 'heaviness' has serious implications which needs to elaboration. After public health and sanitation; public works, public safety (electricity) and public instruction are the major heads of expenditures in that order. There is no educational expenditure incurred by the municipality except on a Shishuvihar since all levels of education come under the purview of the state government. In short, there is nothing of significance on the expenditure account of the municipal budget.

### *The Bangalore Municipal Corporation*

This urban local body came into existence with the enactment of the Bangalore Municipal Corporation Act, 1949. Given the important role it has in the Industrial/Urban development of the state of Karnataka it has been brought under the purview of the Karnataka Municipal Corporations Act of 1976. The geographical area of the corporation has extended from 69.12 sq. kms. in 1949 to 134.42 sq. kms. in 1971 and further to 151.16 sq. kms. by 1984. The population of the city has grown from 15.41 lakh in 1971 to 28.00 lakh in 1984 resulting in 82 per cent increase in the city population and 67 per cent growth in the density of population between 1971 and 1984. Bangalore is one of the fastest growing urban centres in India. To a considerable extent this is due to the fact that most of the machine tool and electrical/electronic industry in the state is located in and around Bangalore city. After being under the rule of the administrator for almost a decade, the municipal council has been elected in 1983. The corporation employs a staff of around 14,000 including those on permanent and temporary basis. Our description of the corporation's financial operations is based on the data gathered from its budget documents for the period 1976-77 to 1983-84. As had been done in the case of Mandya Town Municipality, we have divided these data into pre and post octroi periods.

The corporation levies property tax on about 1.8 lakh buildings and 22,000 sites (1982-83). Though the KMC Act of 1976 specifies a minimum of 20 per cent and a maximum of 25 per cent of the ARV as the property tax rate, in practice the corporation continues to levy the tax at 15 per cent on residential buildings. In the case of non residential buildings the council has increased the rate to 20 per cent from 1983. According to the submission made by the Corporation to the Local Finance Commission, the state government's unwillingness has been one of the reasons for not enhancing the rate to the statutory minimum. The rate on residential buildings has not been changed for more than two decades. There is a provision in the Act to revise the assessment for property tax once in five years. However, there has been no general revision since 1972, because the state government has allegedly not agreed for the same. Within this general framework, during the pre-octroi period, property tax collections were Rs. 379 lakh, Rs. 373 lakh and Rs. 415 lakh in 1976-77, 1977-78 and 1978-79, respectively. The compound growth rate works out to be 5 per cent. These receipts did not show much of a change between 1978-79 and 1979-80. But during 1980-81 there was a quantum jump of Rs. 211 lakh. After a lag of a year, the receipts from property tax once again have increased by Rs. 78 lakhs between 1981-82 and 1982-83 (RE). When we look at these figures alongwith the receipts under octroi/octroi compensation

grant, it is clear that whenever the corporation is not confident of the magnitude of the OCG, or if the OCG is less than what it has expected, it makes a determined effort to make up the loss, at least to some extent, through better property tax collections. This is evident from the following date.

	1976-77	1978-79	1979-80	1980-81	1981-82	1982-83
Property tax (Rs. lakh)	379	415	425	636	687	765
Octroi (Rs. lakh)	782	1053	68	(—) 1.17	(—) 1.17	—
OCG (Rs. lakh)			638	1633	1271	1414
Growth rate of property tax:						
Between 1976-77 and 1978-79	=			5 per cent		
Between 1979-80 and 1982-83	=			22 per cent		
Between 1976-77 and 1982-85	=			12 per cent		
Growth rate of Octroi:						
Between 1976-77 and 1978-79	=			16 per cent		
Growth rate of OCG:						
Between 1978-79 and 1982-83	=			30 per cent		
Growth rate of OCG:						
Between 1978-79 and 1982-83 (Assuming octroi receipts of 1978-79 as equal to those of 1979-80)	=			8 per cent		

Though better collection of property tax may make up the losses on account of the abolition of octroi, this may lead to many complications in the state-municipal relations. For a corporation, property tax can be a very good source of income if levied at graduated rates and revision of assessments is feasible. But if such changes cannot be effected because of the intervention of the state government, then the local bodies tend to loss substantial revenues if octroi has been abolished without proper arrangements being made for compensation in lieu of, the dependence of a local body on the state government can increase over years with this practice. This comes out very clearly in the context of OCG given to the Bangalore Corporation. If we assume that the octroi receipts for 1979-80 are at least the same as for the year 1978-79 (this assumption being made to account for the large gap between the octroi receipts in 1978-79 and the OCG for 1979-80), then the growth rate of OCG between 1982-83 and 1979-80 at 8 per cent works out to be just one-half of what it had been between 1978-79 and 1976-77. Not only a highly buoyant source of revenue has been taken away from the corporation, the substitute revenue receipts have

increased at a much slower rate than what they should have otherwise. One need not elaborate the implications of this for local body's financial independence, if this is the practice to be followed elsewhere. Justifiably, the annual rate of growth of OCG, has been a major area of disagreement between the state government and the corporation. The corporation is demanding annual increases in the OCG at the same rate as that of the state Sales Tax receipts. The periodicity of grant release is also a point of contention between the two tiers of government. Octroi used to fetch about Rs. 1 crore per month to the corporation. This is nearly equal to the monthly wage bill of the corporation. The OCG is supposed to be released in quarterly instalments. Even that would have created liquidity problems for the corporation every month. Added to that, the instalments are not being released as required. This is creating additional problems for the already difficult financial position of the corporation. In this context, there is some logic in the argument of the corporation for monthly OCG grant of Rs. 1 crore and the rest of the grant to be given during the last month of the financial year. The increasing dependency of the corporation on these grant receipts is shown in the following data.

	1976-77	1978-79	1979-80	1981-82	1982-83
Octroi as a percentage of total revenue receipts	50	53	*	†	†
Property tax as a per- centage of total revenue receipts	24	21	27	19	26
Octroi compensation grant as percentage of total revenue receipts	—	—	40	35	48

\* Insignificant.

† Insignificant but negative.

The share of property tax remained more or less the same during the pre and post-octroi periods. The OCG has been fluctuating both in absolute and relative terms causing much concern to the corporation. It may be due to the abolition of octroi without fully understanding the consequences. Though it may appear from the above table that OCG is slowly gaining the position of octroi, in terms of absolute amount and annual increases, there is much to be done to make up for the loss in revenue after octroi abolition. Property tax has maintained its relative share only through better performance collection, of arrear and current demands.

Among the shared taxes, entertainment tax is the major source of

revenue for this corporation as in the case of many others. This state tax is passed on to the concerned local body after deducting 10 per cent of gross receipts towards collection charges. It accounts for about 10 per cent of the total revenue receipts. But its growth rate of 6 per cent is lower than that of total revenue receipts. By implication, its role in the corporation's finances is dwindling. This is intriguing because as an urban centre develops, the receipts from entertainment tax also can be expected to show an increasing trend on par with at least the total revenue receipts. We have shown in the case of Mandy Town Municipality that this is true. The contrary phenomenon may be suggesting some kind of plateau in receipts from this source. The growth rate of this shared tax is lower to the extent that the surcharge levied by the state on entertainment tax is not shared. The levy of surcharges seems to be an instrument that the state governments can increasingly use to raise additional resources without sharing them with the local body within whose jurisdiction the tax has been levied.

The Motor Vehicles Act of Karnataka, 1930 had removed the power of all local bodies to levy taxes on mechanically propelled vehicles. The compensation in lieu, received at present, is Rs. 4.56 lakh. This was fixed under the Motor Vehicles Tax Act, 1957. According to the recent Karnataka Taxation Review Committee report, the local bodies were levying only certain tolls before they were abolished and thus there is no need to share, on part of the state government, the MVT with the local bodies. But with the expansion of municipal jurisdiction and also due to increasing vehicular traffic, the expenditure incurred by the corporation on the maintenance of roads has been increasing. At present, the corporation spends around Rs. 4.10 crore annually on such maintenance. Its demand is for a 25 per cent share in the MVT collected within the city. Given the ever increasing expenditures on city road maintenance the state government probably should look into the matter of enhancing the compensation.

Under the non-tax account, the corporation raises substantial revenue from market fees, rent on shopping complexes, etc. The two shopping complexes constructed by the corporation out of a debenture loan taken in 1969 are very lucrative sources of income. The rent receipts from these complexes have almost doubled between 1977-78 and 1983-84 (BE) from Rs. 36 lakh to Rs. 65 lakh. After repaying the loan by the due date in 1981, a fresh debenture loan was floated to finance the construction of some more shopping complexes. The various remunerative enterprises of the corporation like markets, slaughter houses, cart stands, stadia, swimming pool, etc., (of which the shopping complexes have the major share) contribute to about 70 per cent of the non-tax revenue. The novel idea of shopping complexes is being adopted by other corporations like the Madras Corporation.

The facility to go for a public loan does not seem to lead to wasteful expenditure and consequent problems of debt management. The sinking fund created to repay the loans had proved to be a good mechanism for debt repayment management.

The corporation has also been investing in short term deposits with various commercial banks whenever it has any surplus funds. The periodic receipts from various investments have been substantial. For example such receipts have gone up from Rs. 15 lakh in 1979-80 to Rs. 1,043 lakh in 1981-82.

Certain cesses are collected by the corporation on behalf of the state government and remitted to it after deducting 10 per cent of such collections towards collection charges. These are the Health Cess, Education Cess, Library Cess and the Beggary Cess. They are levied at varying rates on property tax, tax on carriages and animals and the advertisement tax.

The capital receipts consist of only loans that too mainly from the general public. There have been no capital grants from the state government.

The composition of revenue receipts indicate a declining share of own tax resources while the role of the government increases through shared taxes and grants. If total own revenues (tax plus non tax) are taken into account, then the strength of the Corporation increases because of the receipts from commercial enterprises and licence fees for markets. If the OCG is considered as a legitimate receipt of the corporation and not as an item of dependence, then the own resource position of the corporation will be much stronger. For this to happen the OCG should be assigned from year to year on a set formula so that the local body is certain of the magnitude of receipt from this source. Till such a mechanism has been worked out, the corporation will increasingly have less of its own resources to finance its expenditures. One redeeming feature is that the corporation has been able to (with prior approval of the state government) raise public loans to meet some of its capital works like the construction of shopping complexes and repay the same by creating a sinking fund. The declining trend in licence fees, charges, etc., indicate that though the rents from shopping complexes have been steadily increasing, other receipts have almost stagnated. If one accepts the logic that these charges have been made for the services rendered, then there is every reason to enhance the rates to bring in more revenue for the corporation. The data depicted on next page gives an idea of the changing composition of the revenues of the corporations.

	1976-77	1978-79	1979-80	1981-82	1982-83
Own tax revenue as a %age of total revenue	74	74	31	19(27)*	26
Shared tax receipts as a %age of total revenue	13	12	13	10(14)*	11
Grants-in-aid as a percentage of total revenue	3	1	41	36(50)*	55
Fees, charges and licence fees as a percentage of total revenue	10	13	14	6(9)*	8

\* The figures in brackets for 1981-82 indicate the respective shares if realisation from investments has been excluded. This has been done since these receipts appear to be lumpsum receipts occurring to the Corporation at irregular intervals and not on a continuous basis.

The revenue expenditures show a similar pattern to that of the Mandyā Municipality. Data on wage bill are indicative of where the finances have been spent. These data have been taken from the Corporation's replies to the Local Finance Commission. The salary bill was 38 per cent of revenue expenditures in 1980-81 and 1981-82 dropping down to 32 per cent by 1982-83. This drop in 1982-83 was not due to a reduction in the grantum wage bill but because of an increase in the public works expenditures by Rs. 400 lakh. The high proportion of wage bill not only indicates the nature of work undertaken by the Corporation but also the flow of funds that is required to make monthly salary payments. With the ever rising price level, maintenance of the existing staff becomes a major problem and not providing better civic services.

Unlike most other local bodies, Bangalore Corporation spends the single largest share of its revenue (ranging between 30 and 40 per cent of revenue expenditure) on public works. This may be due to the rapidly expending area and population of the city of Bangalore. Most of these expenditures go in for the construction of new buildings for various purposes and maintenances of existing roads.

One may be surprised to note that the Corporation incures heavy expenditure on water supply, when the Bangalore Water Supply and Sewerage Board is expected to provide water to the residents of Bangalore. This is due to a peculiar arrangement between the BWS & SB and the corporation. Payments are made to the BWS & SB for providing water through public taps and free allowance of water to domestic consumers below 25000 ltrs. per month consumption slab. The corporation pays for this water through the collections made from the water tax (linked to the property tax) and also through per tap charges of Rs. 7.50 per month from the free allowance consumers.

Of the two types of payments to the KWS & SB, those for water supply through public taps are much larger than the other payments. This is an area where there is some amount of disagreement and friction between the Corporation and the BWS & SB. Though the KMC Act of 1976 has specified that the corporation should pay to the BWS & SB that part of the property tax which is the water tax, the corporation has not implemented that provision so far since property tax on residential building is a lumpsum 15 per cent without any break-up of its components being available. The refusal on part of the Corporation to delink water tax from property tax and pass it on to the BWS & SB such that all domestic consumers' consumption can be metered and charged may also be due to the fact that in such a case the property tax levied (approximately 7½%) by the corporation may be one of the lowest in India for any Municipal Corporation and also results in substantial loss of revenue to the corporation.

On the capital account, the outlays have been mostly towards repayment of loans including payments into the Sinking Fund to repay the deventure loans. Other capital outlays have been made on the construction of shopping complexes and markets which have proved to be a good source of recurring revenue for the corporation over the years.

#### *The Madras Municipal Corporation*

The Madras Municipal Corporation established in 1898 is the oldest municipal corporation in India. Its powers and functions flow from the Madras City Municipal Corporation Act, 1919. The administration of the corporation has been in the hands of the Commissioner and a Special Officer after the supersession of the council in early 1970's. The local body provides municipal services to a population of about 36 lakh inhabiting in an area of 174 sq. kms. The corresponding figures for 1972 were 24 lakh and 129 sq. kms. Consequently, the density of population went up by 11 per cent between 1972 and 1984. The increase in density is low mainly due to the extension of the municipal area by the inclusion of 12 village panchayats in the corporation limits during 1978-79. Madras being a metropolitan city for many years, the flow of population into the city has not been as alarming as it is in the case of newly developing urban centres like Bangalore. The problems faced by it are different but equally difficult ones in that the civic services will have to be spread out over a large geographical area. The corporation's functions have been performed by its 27,000 employees.

The taxes levied by the corporation are wide ranging. They include Property Tax, Education Tax, Lighting Tax, Profession Tax, Company Tax, Timber Tax, Advertisement Tax and Tax on Carriages and Animals. The water and drainage taxes levied by the corporation

as part of the Property Tax have been delinked and handed over to the Madras Metro Water Supply and Sewerage Board from 1982-83. The Board was established in 1978 but until 1982-83, the corporation was levying the Water and Drainage Taxes and transferring to the Board such collections. Lighting and education taxes have been levied on the annual value of properties. The rates of taxation have been given below for the property and the related taxes.

<i>Annual value of buildings and lands</i>	<i>Tax for general purposes</i>	<i>Lighting tax</i>	<i>Education tax</i>
		(Percentage of AV)	
Rs. 500 and below	5	3½	4
Between Rs. 50 & Rs. 1,000	10½	3½	4½
Between Rs. 1,001 & Rs. 5,000	.12	3½	5
Above Rs. 5,001	14½	3½	5

Apart from the usual municipal taxes, the corporation levies two distinct taxes, namely, the Company Tax and the Timber Tax. The former is levied at varying rates on amount of paid up capital in respect of companies whose head or principal office is in the city and on the basis of gross income in respect of all other companies under rule 7 of the taxation rules of the Corporation. The latter tax is levied ranging from Rs. 0.98 to Rs. 4.92 on different types of timber.

The taxes listed above have been levied from 1919 with no new taxes being added or old taxes being withdrawn except for Water and Drainage taxes. The rates of taxation have been revised from time to time with the approval of the state government. Octroi had never been a municipal tax.

Among the various taxes collected, property tax has always been the single largest source, netting on an average, 25 per cent of the total revenue receipts. These receipts have grown in magnitude from Rs. 203 lakh in 1967-68 to Rs. 961 lakh in 1984-85 (BE) at an annual compound growth rate of 10 per cent. Various reasons can be attributed for this impressive performance. One is the quinquennial revision of assessment taken up by the Corporation. In 1978-79 the state government had advised the corporation against the general revision in view of public discontent. But between 1967-68 and 1978-79 the revisions enabled the corporation to keep the rental values abreast of inflation. The second reason could be the condition stipulated by the World Bank in 1981-82 that the corporation's own resources should increase annually by at least 8 per cent for the corporation to avail of the Bank loan. Thirdly, the graduated property tax rates with periodic upward changes have helped in mobilizing additional resources.

Besides these factors, the concerted effort on part of the corporation officials to raise additional revenue from 1981-82 paid rich dividends. This was caused by the stoppage of revisions and the World Bank loan conditions. This is evident in that property tax receipts went up by 15 per cent between 1981-82 and 1984-85. They have also showed an annual growth rate of 13 per cent between 1979-80 and 1984-85 while it was only 8 per cent from 1967-68 to 1978-79. The years 1978-79 and 1981-82 are important for our analysis since, while in the former the quinquennial revisions have been postponed; in the latter the World Bank loan assistance has started. In the case of Bangalore Corporation, the year 1978-79 is important because Octroi was abolished in that year. We had seen that it had a favourable effect on the property tax collections. Similarly, Madras Corporation has also received an external shock in 1978-79 with the stoppage of revision of assessments. This had stimulated the collection of arrear and current demands more effectively. The World Bank loan conditions also had similar positive effect. Once again the sensitivity of municipal resources to outside shocks has been clearly shown. The hatchet effect is apparent in the property tax receipts between 1978-79 and 1981-82.

Profession tax which was in the third place in terms of magnitude of receipts, behind property tax and lighting taxes till 1982-83, moved into the second place by 1984-85 (BE). In terms of proportions in total revenue receipts, it has increased from 3 per cent in 1967-68 to 6 per cent by 1979-80 and further to 12 per cent by the end of 1984-85 (BE). As has been claimed by the corporation, this phenomenal increase both in magnitude (66 per cent between 1981-82 and 1984-85 proportion (6 per cent in 1981-82 to 12 per cent in 1984-85) is not due to any significant changes in the tax rates but because of a concerted drive launched to mop up the tax demand (both arrear and current) during 1983-84. In terms of comparison with property tax, profession tax has a vastly superior performance as far as the growth rates are concerned—37 per cent as against 7 per cent between 1982-83 and 1984-85. The implications of this performance are clear. If the local body has the necessary power and will (sometimes forced on it by circumstances beyond its control) to implement this tax properly, profession tax can be a very lucrative source of revenue for urban local bodies.

The lighting tax receipts show a distinctive pre and post-1978-79 trends. Since it is linked to the annual value of properties, the compound growth rate of receipts between 1979-80 and 1984-85 has been lower by 5 per cent points compared to the growth during the pre-1979-80 period—10 per cent as against 15 per cent. These changes could be due to postponement of quinquennial revisions.

As for the shared taxes, the entertainment tax is the single largest

source. Its share in total revenue receipts has always been between 15 to 20 per cent. In absolute terms, the receipts have gone up from Rs. 146 lakh in 1967-68 to Rs. 600 lakh by 1984-85 (BE) with an annual growth rate of 9 per cent. The state government levies a surcharge on entertainment and show taxes, the entire proceeds of which are remitted to the corporation unlike in the case of the Bangalore Corporation.

The Duty on Transfer of Properties is levied by the state government on the instruments of sales specified under section 135 of the MCMC Act, 1919, as a surcharge on the Stamp Duty at the rate of 5 per cent or the sale consideration value of the property on the amount secured, as the case may be. The proceeds are passed on to the corporation after deducting the collection charges. The growth rate of receipts has been higher than that of the entertainment tax (12 per cent as against 8 per cent). The quantum of receipts show remarkable increase between 1979-80 and 1984-85 (BE) and especially from 1981-82 to 1984-85 (BE). We are unable to provide any logical explanation for this spurt because the collection of the tax has been made by the state government. The only plausibility is that the Corporation has been carefully checking the state government accounts and demanding its legitimate share. The rate of surcharge is also higher than in the case of Bangalore Corporation by 5 times.

The third item under shared taxes is the surcharge on Sales Tax levied by the state government within 32 sq. km. Madras Metropolitan Area and passed on to the Corporation. The state government has agreed for this after persistant demands by the Corporation either to allow it to levy Octroi or to make necessary compensatory payments. This surcharge has been introduced for the first time in 1981-82. The quantum of transfers are not significant so far—Rs. 4 crore in 1984-85 (BE). Moreover the state government has specified that 50 per cent of these transfers should be utilized for capital works from 1984-85 onwards. By directly linking the transfers to particular source of revenue (unlike in Karnataka) the state government has eliminated the arbitrariness of the quantum of transfers. The corporation is also in a position to estimate reasonably accurately the receipts in the ensuing financial year and plan its expenditures accordingly.

Revenue grants and contributions have become one of the important sources of many urban local bodies in India. In the case of Madras Corporation their share had doubled between 1967-68 and 1979-80 from 2 to 4 per cent. It had further gone up to 7 per cent by 1984-85 (BE). Comparison of pre and post-1982-83 data is complicated because of the changes brought about in the accounting system in 1982-83. The corporation has shifted over to the double accounting accrual system

from that year. The sub head "Revenue Grants and Contributions" pertains to the post-1982-83 period. Using the specific entries under the sub head we have worked backwards to drive the necessary values for the previous years. We have included all the revenue loans and grants under this, subhead. Given the fluctuations in these receipts we will analyse components of such receipts only when wide variations are evident. For example, during 1978-79 the revenue grants and contributions were of the magnitude of Rs. 378 lakh while in 1977-78 they were only Rs. 40 lakh. The variation was due to a Rs. 320 lakh government grant towards second additional DA to the municipal employees. Similarly of during 1980-81 out of the total grant receipt of Rs. 204 lakh, Rs. 100 lakh was given by the state government towards ways and means advances. If we leave out these occasional lumpsum transfers and consider Rs. 130 lakh of grant and loan receipt as transfer more or less due to the continuous growth of these, then over the 16 year period of 1966-67 to 1983-84 (BE), they show an annual growth rate of 14 per cent. This is not a small figure considering that the total revenue receipts over the same period have been increasing at an annual rate of 9 per cent. This higher growth rate is reflected also in their larger share over the years in total revenue receipts.

Under the new accounting system, all types of fees and charges including fees have been categorized under the Service Charges and Fees Budget. These are not comparable to the entries under the sub head "Remunerative Enterprises and Public Amenities" of the pre-1982-83 budgeting system. The latter category represents to a substantial extent, the user charges. They are basically certain facilities provided and services rendered by the corporation for which the consumers will have to pay a certain price though need not necessarily be the full unit cost. Besides these items, there are other fees and charges which can be good sources of non-tax income for the corporation. We have isolated, to a large extent, from the Service Charges and Fees budget, items mentioned under the Remunerative Enterprises and Public Amenities such that some generalization can be made on user charges. Relevant data have been shown as below:

	(Rs. in lakh)		
	1982-83	1983-84	1984-85
Category 1 : Service Charges and Fees Budget	104.35	151.74	214.25
Category 2 : income from market fees, private market fees, private scavenging fees, contract income, advertisement of lamp posts and community centre rent	36.78	53.50	63.50

Receipts under category 2 are to a large extent consistent with the pre-1982-83 data on remunerative enterprises and public amenities. This is evident from the data given below:

	1984- 85	1983- 84	1982- 83	1981- 82	1980- 81	1979- 80	1978- 79
<b>Category 2 :</b>							
Receipts	63.53	53.50	36.78				
	(2)	(2)	(1.4)				
Remunerative enterprises and public amenities*				36.37	45.85	35.53	38.29
				(2)	(2)	(2)	(2)

\*Inclusive of private scavenging charges.

Figures within brackets indicate percentage shares in total revenue receipts.

It is evident from the above data that not only the market fees and other user charges have remained almost a constant proportion of revenue receipts, their magnitude has been very low. The total receipts under category 2 during 1984-85 are just about the same as the rents from two shopping cum theatre complexes for the Bangalore Corporation. The Madras Corporation has been constructing market yards over the years but unfortunately the receipts from that source do not show any significant increasing trend. Hiking the licence fees for traders and the hire charges for the community centres did not yield much additional revenue because the base for such charges is limited. Mere user charges may not generate sufficient additional revenues given their limited scope in the context of functions performed by the urban local bodies. Other areas like remunerative enterprises will have to be tapped for better resource mobilization.

On the capital account, loan and grants are secured to finance expenditures on asset creation. Data are presented here for only the pre-1981-82 period only. For the Madras Corporation, capital financing has always been a major source ranging between 20 to 30 per cent of total receipts. The following data gives some idea of its importance. Its role has to be looked at in the context of local bodies generally performing maintenance functions financed by current revenues.

Year	Capital Receipts (Rs. lakh)	Revenue Receipts (Rs. lakh)	One as a percent- age of total receipts
1967-68	197	781	20
1970-71	268	1065	20
1973-74	235	1456	14
1975-76	475	1583	23

1977-78	799	2014	28
1979-80	998	1778	36
1980-81	666	2219	23
1981-82	316	2309	12

On an average, capital receipts constitute about 22 per cent of total receipts. Capital receipts consist of loans and grants. Water Supply and Drainage used to receive maximum capital loans and grants till the formation of the Metro Board in 1978. After that Communication Department has been receiving the largest share of capital receipts.

A comparison between loans and grants shows that the corporation has always been dependent more on the former than the latter. The data have been given below :

Year	(Rs. in lakh) Capital Account	
	Loans	Grants
1967-68	107	64
1970-71	206	62
1974-75	133	103
1978-79	455	190
1980-81	552	114
1981-82	100	—

This is a plus point as far as the accountability aspect is concerned since the corporation has to find the resources to repay the loans—interest and principal. The increasing indebtedness of the corporation may be due to improper debt management in terms of not creating the necessary remunerative enterprises to repay the loans and also in not constituting the required sinking funds. Whatever the case may be, the corporation has been able to raise public loans whenever required. In recent years, the component of public loans has been increasing as against the Government and Institutional loans. From 1980-81, no fresh LIC loan have been taken. The thinking of the corporation officials seems to be to go to the public for a direct loan rather than through any intermediary.

On the expenditure side of the budget, we have consistent data series only for the pre-1981-82 period. We will first take up the revenue expenditures.

The 'Management' expenditures have shown an increasing trend both in absolute and percentage terms. Their growth of 20 per cent between 1967-68 and 1979-80 is more than double that of the total revenue expenditures over the same period. An explanation for the sudden jump in expenditure on this account between 1977-78 and

1979-80 has been given in the Budget Estimate document for the year 1981-82. The increase was not due to a larger staff but mainly because of an increase in salaries and allowances sanctioned during the three year period prior to 1980-81, as per government orders. These expenditures were partly financed by a government grant in 1979-80. The corporation had stated in 1981 that 83 per cent of its budget is spent on salaries, wages and debt repayment. Thus the implications of a large salary bill are quite obvious.

Public health and sanitation expenditures occupy the prime position in revenue expenditures. They show an annual growth rate of about 8 per cent and constitute, an average about, 27 per cent of revenue expenditures. Closely following public health and sanitation is the education function. The Madras Corporation runs 370 elementary schools, 25 high schools and 10 higher secondary schools. Their share in revenue expenditure ranges between 20 and 25 per cent. Substantial part of these are allocated to secondary and higher education. Their growth rate is almost the same as that of the total revenue expenditures. This is rather interesting because in many corporations, education is no longer a major item of expenditure. The Madras Corporation continues to provide this service. The funds come from the education tax and revenue grants.

Given that loan financing has a large share in capital receipts, the debt repayment through revenue funds is equally large. This has been kept at lower levels probably due to the World Bank loan condition that debts repayment should not exceed 20 per cent of the corporation's revenue expenditures. We present data only on the revenue account. If we add the capital outlay loan repayments to these, then the total debt repayment of the corporation would be substantial.

<i>Year</i>	<i>Debt repayment as a percentage of revenue expenditure</i>
1978-79	13
1979-80	10
1980-81	13
1981-82	12

On the capital account, the total outlay cannot be considered as asset creative since most of it goes for debt repayment. The state governments have in general taken over the capital expenditure functions. Even in this rather confused state of affairs, a look into the proportion of total expenditures spent on capital outlays may give a rough idea of the asset creative work taken up by the corporation over the years. The data indicate that capital outlays do constitute a

sizeable share of the total expenditures and their growth rate has been more or less the same as that of the revenue expenditures. We may conclude by saying that the corporation has not been neglecting the asset creating function, though limited in magnitude. But looking at the composition of capital outlays, it is not encouraging to find that the creation of remunerative enterprises to repay the loans has not been as desired. The approach appears to be to construct a few shops and community centres every year. But the receipts, as we have already pointed at an earlier stage, are not substantial from this source.

On the basis of the preceding discussion on the financial operations of three urban local bodies, we will try to put together certain issues in connection with Municipal Finance in general in India. We will be discussing some important areas only.

## II

### *Property Tax*

To say that property tax 'will be' the single largest tax resource for the urban local bodies is only stating the obvious. We say 'will be' because the process of abolition of Octroi is well under way in most of the states in India. In this context, it is reasonable to expect that in future the urban local bodies will depend on property tax as their major source of tax revenue. We have seen this in the cases of Mandy and Bangalore. In light of this, certain factors deserve a careful examination. The slab system of taxation at sufficiently progressive rates as in the case of Madras should be adopted. A flat rate of tax is not advisable either on equity grounds or on the grounds of additional resource mobilization over time. These rates should be flexible to make the tax progressive whenever required with rising rental and capital values. The tax rates should also move upwards if what we call 'progressiveness' in incidence has to be maintained. Upward revisions of the tax, also net additional revenue. Equally important are the periodic (usually quinquennial) revisions of assessments. These revisions have contributed substantially to the steady increase in property tax revenue in Madras Corporation till 1978-79, when they were discontinued. These revisions are necessary to adjust the annual rental values to the increases in the general price level. Delinking the service charges from the general tax is necessary for revisions. In the absence of such delinking, the rate payers may resist reassessments on the plea that while the quality of services they have been receiving, has remained constant or has even deteriorated, the charges for the same have been increased. Such delinking has dual advantages. On the one side, resistance to reassessments may be

reduced and, on the other, user charges can be levied to whatever extent feasible. But despite separating general tax from other taxes, the state governments may not allow the local bodies to revise assessments for extraneous reasons. There is a need to reduce the state government interference in this area. The latest Supreme Court judgement on the rent control makes the task of the local bodies all the more difficult to revise the assessments. If, in a municipal area, a large number of central/state government properties are located, then such a situation can create problems of property tax realisation because on such properties only service charges can be levied and not the full property tax. Some times such assessments can lead to litigation. Both these factors deprive the local body of its property tax revenue. The Bangalore Corporation has been arguing against the distinction between private properties and other properties. The recent Karnataka Taxation Review Committee also has recommended the doing away with such distinctions. The problems in Bangalore are more pronounced than in other cities because in the cantonment area,  $\frac{1}{3}$  of the areas is under the defence authorities. The NCAER study on the Resources of Municipal Bodies (1980) had recommended a specific grant in lieu of loss of property tax from government properties. In spite of various structural problems, the fact remains that efficient administration is the crux of the matter for better revenue collection. This has been very clearly shown by the Madras Corporation in recent years. A concerted drive to collect both arrear and current demand has yielded substantial revenue from property tax. Sometimes the incentive for better collection can be an external shock as in the case of both Bangalore and Madras Corporations. But this fact should be interpreted cautiously. Once a certain plateau has been reached, mere efficiency in collection will not be the answer to resource mobilisation. Various other aspects of the tax should be seen in conjunction with efficient administration. Though much has been said about property tax reform, a broad policy at the state level is yet to be framed.

### *Octroi*

This tax source, which had been most buoyant for urban local bodies, is now on its way out. Various committees and commissions have criticized it on the grounds of retarding economic growth and efficiency. More and more state governments have been passing legislation abolishing Octroi. Some states have already tried with alternative tax sources. Various measures have been suggested to make up the losses to the local bodies after the abolition of octroi. In the case of Karnataka, Octroi has been replaced by an Entry Tax and a surcharge on Sales Tax at the state level. The compensation

in lieu of Octroi is a block grant not linked to either the Entry Tax or the surcharge on Sales Tax directly. Such transfers will add to the arbitrariness of state intervention in local body affairs. This is evident in that the magnitude of the octroi compensation grant has been fluctuating in the cases of both Bangalore Corporation and Mandyā municipality. There does not exist any set formula to make the grant payments except for an arbitrary growth rate. The growth rate allowed for annual increase in grant amount is controversial. In order to avoid these problems, it is advisable to delineate the source/s from which the state government makes the necessary payments. In this context, the demand of the Bangalore Corporation for a share in the Entry Tax is logical. The government of Tamil Nadu had taken the appropriate step by assigning the total collections from surcharge on Sales Tax collected within the metropolitan areas to the Madras Corporation. This enables the Corporation not only to make relatively good estimates of future receipts but also demand the transfers that should be made to them. So far as the items covered under the Sales Tax Act are the same as under Octroi, this system is definitely more advantageous than the lumpsum Octroi Compensation Grant. It will minimize the friction between state and local bodies arising out of the year to year compensatory grant—which is looked at with suspicion by the local bodies. The question of on what basis the magnitude of compensatory grant should be fixed, has been discussed in the academic circles. Since it is a mere compensatory grant, the basis should be nothing but actual accruals over the previous years. If considerations other than actual accruals are made relevant for the transfers, then the confrontation between local bodies and the state governments will exist forever. The local bodies will always demand a higher rate of growth than the state government allows for. For example, the Bangalore Corporation has been demanding a higher rate of growth equal to that of the state sales tax receipts. By directly linking the compensatory transfers to a particular source and fixing the magnitude of grant only on the basis of actual accruals, these problems can be overcome. The periodicity of grant release is an important issue so far as Octroi compensation is concerned. This is because of the particular role that Octroi has in municipal finances. Taking the Bangalore Corporation as an example, the monthly Octroi receipts were sufficient to pay the wage bill of the municipal employees prior to 1978-79. This liquid source of receipts has been substituted by a quarterly lumpsum grant. In some years, even the quarterly instalments have not been released in time. This has created enormous problems for the corporation in meeting its day-to-day maintenance expenditures. The monthly release of Rs. 1 crore of grant and the rest of the grant to be adjusted during the last month of the

financial year has been suggested as an alternative for the present system by the Corporation of Bangalore. Madras Corporation does not experience these problems because Octroi had never existed as a municipal tax there. The question of how the Octroi compensation grant amount should be spent has to be analysed. In the case of Madras Corporation, the state government has stipulated that from 1984-85 onwards 50 per cent of such transfer receipts should be spent on capital works. Unless the state government intends to divert part of municipal finances into certain desired channels (say expenditures on new roads) it is very difficult to support the specific purpose transfers, that too when octroi has been a general purpose receipt. Except in special cases like Madras where Octroi had never existed, such constraints and conditions may be unwarranted.

#### *Loans and Grants*

The loan and grant receipts of the local bodies have some interesting features. Both their magnitude and share in revenues have been growing. Between the loans and grants, the share of the former is rising more rapidly than the latter. To this extent the accountability and efficiency of the use of funds by local bodies will also increase because they will have to repay the loans basically from their own revenues. That in turn means that the projects financed through loan financing will have to be at least partly remunerative. The sinking fund created by the Bangalore Corporation to repay its debenture loan is a novel method that can be adopted by other corporations. By doing so, the burden of lumpsum transfers from the general revenues at any point of time to clear off debt can be avoided. There is a tendency to depend more on public loans as against institutional/government loans. Both Bangalore and Madras Corporations have shown strong indications of this. Their intention is to side step the intermediaries (institutions) and deal with the general public directly. This method can be more effective in terms of financial management than loan financing through institutions. The responsibility of the local body to the public to show a creditable performance will increase. These loans should, to the maximum extent possible, be linked to specific projects. Otherwise it is likely that the local bodies, given the local political pressures, may spend the loan receipts on uneconomic ventures. Such an approach will also enable the local body to have a good idea of the rate of return on its investment. This in turn will facilitate the making of necessary payments to the sinking fund. Utilizing the loan funds to finance various general purpose projects will lead the local body into an increasingly difficult position of debt repayment which as in the case of Madras Corporation, has become a major problem. Creation of and payments into the banking fund should be statutory

as has been done in the case of Bangalore Corporation. Using loan financing for capital works resulted in a drain on the general revenues of the Madras Corporation when the interest and principal of loans were to be repaid. Conditional loans can improve the working of the local bodies. For example, in the case of Madras Corporation, the World Bank had stipulated the condition that the corporation's debt repayment charges should not be more than 20 per cent of its revenue expenditures. This had induced the corporation to have better debt management and also to raise additional resources through better tax collections. Such conditional loans can have the desired effects if properly formulated. Loans and grants can prove to be useful mechanisms to develop the resource base of the local bodies in desired directions.

#### *Remunerative Enterprises*

These enterprises have been major source of revenue for some local bodies in India, e.g., Bangalore and New Delhi. With the limited tax resources at their disposal, the local bodies have been forced to venture into alternative sources of revenue, one of them being the remunerative enterprises. These are commercial enterprises constructed and maintained by the local bodies. Bangalore is one of the few municipal bodies in India which raises substantial revenue from this source. The two shopping complexes and the various wholesale/retail markets constructed by it are the main sources of receipts under this account. The shopping cum theatre complexes were constructed out of a debenture loan floated in 1969. Sinking Fund to repay these loans was made statutory. That had enabled the corporation to repay the loan without any substantial drain on the finances of the corporation. Encouraged by the past experience, the Corporation of Bangalore had raised yet another debenture loan in 1985 to construct more shopping complexes. The experience of Madras Corporation in this regard has not been encouraging. Its efforts have been limited to the construction of shops and community centres. The rents from the markets have not been substantial. These shopping areas should be operated on commercial principles and not as public utilities. They are meant to be earning propositions and not to provide public goods/services. One of the issues in operating these enterprises, especially the shopping complexes is that whether the local body should construct and run the complexes or whether once they have been constructed they should be sold to the private sector for a lumpsum payment. This became an issue because the Bangalore Corporation had to close down a theatre in one of its shopping complexes due to litigation. But this problem could have been overcome if the terms and conditions of the lease have been carefully set

down. There are certain negative features in the once-for-all sale proposition. If the local body resorts to mere construction and sale, then the year to year receipts do not exist. In such a case the scope of enhancing the rents and earning increasing revenue over the years will be lost. Similarly, lost will be the responsibility of maintaining the facilities created by it. Such responsibility will induce the local bodies to adopt better financial management to maximize the receipts and minimize maintenance expenditures. So it is advisable that the local bodies, their resources permitting, should construct and maintain remunerative enterprises. Some of the smaller municipalities like Mandyā Municipality have made it a practice to raise additional revenue on annual basis through the sale of municipal properties, especially land. This will have an adverse effect in the long run because they may face shortage of land to construct any remunerative enterprises. Also such sales can benefit the local real estate businessman immensely over the years. The Kerala example of a state level organisation providing soft loans to local bodies for the construction of remunerative enterprises may be followed in other states.

#### *User Charges*

The role of user charges in the context of urban local bodies has been hotly debated in recent years. Economists have always recommended extensive use of these charges to recover at least part of the unit cost. Among the municipal functions, water supply can be the best source to levy user charges. Electricity is being supplied mostly by state level boards. Even in the case of water supply, both in Bangalore and Madras, separate agencies have been created to perform this function. Those areas can be utilized by local bodies which are still their purview. Even if the water rates can be used as user charges, it is still a big question whether they can really charge the consumer the full unit cost. Water supply being an obligatory municipal service and a public good, there has to be an element of subsidy involved since provision of drinking water in itself is considered as desirable irrespective of whether the cost of providing it is recovered from the consumer or not. From this point of view though the potential to use water supply as a user charge exists, it may never be used for that purpose exclusively. In the area of public health and sanitation, fees for private scavenging facilities have been used by the Madras Corporation to mobilize additional revenue. Various other fees and charges for entry into parks, use of public conveniences, parking charges in car stands, etc., are also being used to meet the corresponding expenditures on them. The magnitude of receipts are not substantial. Given that the functions of the local bodies have been increasingly taken over by the state governments/functional agencies, the scope of

user charges to raise meaningful quantum of resources appears to be limited.

*Urban Local Body Versus State Government/Functional Agency*

This is a very vast area involving many complicated issues. We will only indicate some aspects of this interaction where further thinking and research is required. The role of functional agencies to the detriment of municipal functions has been on the increase. One of the most important functions of the urban local bodies, namely, Water supply have been taken over by specialized agencies in both Bangalore and Madras. In effect the major function is still left with the local bodies is public health and sanitation. It will not be incorrect to say that if the trend continues, in near future the urban local bodies will be working merely as government departments rather than local self-governments. Except for 'bureaucratization', there is apparently no reason why specialized institutions be created. The multiplicity of such organizations will complicate the coordinated development of an urban centre. The Task Force on Management of Urban Development set-up by the Planning Commission came out strongly against the creation of multiple functional agencies. There is an urgent need to study the working of various functional agencies in metropolitan cities in depth to find out whether there is any economic rationale behind their establishment.

The state-local body relationship is becoming increasingly complicated. The interference in municipal finances and expenditures has been on the increase if the working of the Bangalore and Madras corporations is an indication. If one accepts that the independence of the urban local bodies has to be restored with reasonably large and stable own resource position, then there is a need for continuous assessment of their finances through Local Finance Commissions. A state level statutory Board on the lines of the Gujarat Municipal Finance Board can be thought of for every state to look into the finances and functions of the urban local governments once they attain a certain level of development, say that of the Super Metros. □

# *Problems of Urban Passenger Transportation : A Study in the Light of Social Responsibility\**

SATYABRATA BASU

THE PROBLEM of urban passenger transportation has been assuming enormous size with the progress of industrialisation and consequent growth of city life. The problem has many facets, some of which are purely technical, while others are managerial or organisational. The purpose of the present paper is to identify those problems that have particular bearing upon social awareness.

## TRAFFIC LAWS FOR ENSURING SMOOTH FLOW OF TRAFFIC

Some such problems relate to the very fact of running fast moving vehicles through the congested city streets. Street accidents which are often fatal result mostly from either unawaresome behaviour of commuters or pedestrian or irresponsible driving by vehicle pilots. There is in every country, including ours, a large number of traffic laws as also rules and regulations intended to protect the people from the contingencies of such occurrences and such rules range from obeyance of traffic signal down to use of zebra crossing by pedestrians. The accidents occur mostly, if not exclusively, due to violation of such rules and regulations. It is well known that only laws cannot guarantee safety and security of the people; what is more important, they are to be complied with. And it is in this context that there arises the question of public awareness to abide by the laws.

In the matter of arousing the sense of awareness among the people regarding obeyance of traffic rules, the concerned authorities have an important role to play. The relevant extracts of the rules should be well publicised through various mass-media like newspapers, radio and TV at regular intervals. At the same time special campaigns for

\*This paper was presented at the Seminar on "Traffic Problems and Need of Social Awareness" held at Great Eastern Hotel, Calcutta on December 7 and 8, 1985.

teaching people such lessons be also launched frequently, accompanied with penal measures imposed, at least in a token fashion, for violation thereof. Some such efforts have been found to be undertaken by the Calcutta Police in the recent past, but they have not been anything more than half-hearted.

The point of violation of traffic rules is only a superficial part of the whole complexity of problems. An indepth study of the nature of the problems must focus its highlight on the demand and supply aspects of the transit needs. This is because, more often than not, violation of traffic rules have their roots embedded in either of these two aspects.

#### **DEMAND FOR TRANSIT SERVICES : PRIVATE VS PUBLIC TRANSPORT**

Urban transportation is by nature mass-transportation. The passenger traffic volumes are a precise reflection of the location of individual activities, which again, is itself largely determined by transport facilities. People with jobs in the city would not live out in suburban areas, if there were no facilities for travelling regularly between home and job; they would have either moved their homes or changed their jobs.

The cities of the modern days have many centres of business, though the traditional concept of existence of a Central Business District (CBD) still persists in the metropolitan cities. No doubt, there is a huge rush of demand for transit needs to and from CBD for movements between home and job. This is the peak-hour Demand and constitutes the most acute aspect of the problem to which we turn later.

But with increase in the sophistication of modern age livelihood, there have developed many urban centres in each metropolis, with thickly populated surroundings from which people are to flock to the said centres for meeting vari.us needs of daily life, beginning from work to worship, and from shaving to shopping. This has obviously put an enormous pressure upon transit modes and the pressure continues almost throughout the entire network of services in particular region.

At this stage we introduce a distinction between public and private transport; the words 'public' and 'private' are not used in their usual senses in the transport world. A mode is designed as 'Public Transport' if it is available for use by anybody on payment of stipulated price, irrespective of whether it is owned by private or public authority. Of the total number of people making demand for public transport, a large section has no access to car and for them only alternative may be bicycle or at best, motor cycle. They constitute the bulk of commuters in the cities of countries like India, and for them the availability of public transport is a crying need, particularly when the city

structure rarely permits the less costly mode such as bicycle to meet the need of travelling long distances through over congested routes. Such commuters have to be helplessly dependent upon the cheaper types of public transport modes for meeting their journey needs; the cheaper types of public transport modes include omnibus, tram and minibus services, as also ferry services where possible.

What the commuters desire in effecting a journey, for any purpose whatsoever, is the satisfaction of the triple motto of safety, comfort and speed. And to the extent that these mottos are prone to be jeopardised, the commuters suffer from a feeling of irritation which might culminate in their agitated behaviour. The question of social awareness related to the commuters' side become relevant in that context.

The dual aims of safety and speed as desired by the commuters in their journey are largely conflicting. An increase in speed ensures lesser degree of safety, particularly in congested streets. And the aim of comfort has particular relevance to lesser degree of over-crowding in vehicles, which in its turn, goes against the principle of more revenue earning, that is lovingly cherished by the operators, at least when they are private entrepreneurs. Thus we are landed in field of paradoxes involving complexities of traffic problem, namely, that on the one hand, the dual interest of the commuters of safety and speed go against one another, and on the other hand, the commuters' desire for comfort in journey can be assured only at the cost of operators' interest of increased earning.

#### THE PROBLEM OF 'PEAK'

This is a very serious problem of urban passenger transportation and is caused by the need of journey from home to work-place and back. It is concentrated during 3 to 4 hours preceding the commencement and following the close of hours of work of firms and offices on every week day. About 40 to 50 per cent of total passenger traffic involving 75 per cent or more of all person-trips, in many countries, involve such 'peak' demand.

Many transport difficulties are largely attributed to the peak and off-peak demand fluctuation. Congestion, high fares, labour shortage and service withdrawals are all argued to be mainly due to the fact that demand is concentrated at certain times of the day so that capital equipment and labour requirement for peak period are not required at other time.

The problem of peak is accentuated by the fact that there is a concentration in space as well as time with the highest flows being found in the CBD areas in radial roads. The peak hour demand causes congestion on streets and consequent traffic jams. In cities like

Calcutta the situation is aggravated by the factors such as huge flow of slow moving vehicles like rickshaws and thelas, narrow width of old streets in areas of unplanned urban growth and existence of tram services through narrow streets.

The cause of the problem lies in the concentration of time and place of working in the CBD and, therefore, the solution lies in tampering with the spatial and temporal set-up of business in offices in such areas. A radical but longterm strategy is to rearrange urban land use pattern particularly to decentralise work places. An easier and quick-yielding approach, however, is staggering of working hours, that is, dispersing not the place, but the time of activities. This calls for a change of working hours by adjusting the time schedule by 1 to 2 hours ahead or later, accompanied by fixing up weekly holiday and half-holiday in different establishments, not on the same day, but on different days of the week.

There is no panacea for solving the 'peak-problem'. A combination of all possible measures, such as staggering of working hours, decentralisation of work places, as far as possible, and controlling the traffic volume as immediate measures and emphasis on decentralised location of firms and office away from the urban areas for future, as long run measures, may be effective.

And in respect of such changes or prospective ones, people in general should have favourable attitude so that the efforts may be successful. For that matter, they are to be aware of social necessity for such changes, which in their own interest, are of course, the most imperative.

#### THE SUPPLY ASPECT 'CONGESTION ON CITY STREETS'

Congestion in city streets is another important aspect of the problem and involves "waiting for other people to be served". It affects time and speed of vehicles and creates appalling private and social costs, such as higher operating cost, loss in valuable time, more road accidents, air pollution, discomfort and inconvenience to pedestrians, nearby residents and passengers on-board in crowded vehicles, etc. The choices before the society are: (i) to tolerate such losses or, (ii) reduce them through expensive investments in new roadways, or (iii) to reduce road use in affected areas.

The first choice is no solution. The second course involves the question of availability of huge funds as also feasibility of acquiring new land to be used as roadways. Only the third choice, namely, reducing the degree of road use seems practical. There are various methods of restricting road use, such as tools, fuel taxation, differential licence fees, car parking charges and direct road pricing. There are

pros and cons of each of these methods, and which one or ones are to be adopted in a certain situation depends mainly upon circumstances of administrative convenience.

Traffic congestion in large towns has reached today a point where social amenities are destroyed. A system of relief, it is thought, could be brought about if every driver of a vehicle, whether it was moving or parked, knew that he was incurring a charge directly related to his contribution to the congestion. He would then be under an inducement to make economical use of roads. So his private interest and his sense of social responsibility both would help in relieving the traffic pressure. It is from this consideration that it is generally agreed that some charge on their contributing to congestion is an important way of tackling it.

To the extent that congestion is brought about by very high rate of car ownership it may be effectively mitigated by some sort of 'congestion tax' as indicated above. But where 'carownership' is not very high, it is due mainly to many other reasons such as preponderance of slow moving vehicles on roads, narrowness of streets, encroachment of footpaths and pedestrian zones by hawkers, uncontrolled marketing transactions going on extensively on roadways and processions taken out by political parties or cultural or religious organisations and passing through busy roadways hampering traffic flow, etc.

In such situations, where congestion is to be dealt with more by application of prohibitive measures for using roadways by the slow moving vehicles and hawking businessmen as well as the processionists, it can be tackled only by depending on their good sense. Actually, a combination of pecuniary and prohibitive measures, the former for car use and the latter for other causes of congestion, may be considered an effective method for dealing with the problem in cities of countries like ours. It may be noted that in Calcutta, both these measures are in practice, but yet the problem persists. This is partly because neither are the measures drastic enough, nor are they always sincerely applied, often because of political pressures. Also most of the business centres of the city are connected with so narrow streets of unplanned characters that are altogether inapplicable for modern city lives.

And in this context, the social awareness to the problem of all concerned, beginning from vehicle operators and traffic controlling authority, down to pedestrian, hawkers and even political parties has to be principally relied upon for an effective removal of the menace.

#### **OTHER ASPECTS OF SUPPLY : QUANTITY AND QUALITY OF SERVICES**

The question of supply is essentially related in transport, as in all other fields, to both quantity and quality aspects. The quantities here

refer to not only the number of vehicles put to services, but equally pertinent is the 'speed' at which they run. A better unit of measurement here is the number of passengers per km. per hour. Thus an omnibus carrying 1000 passengers over a distance of 10 km. in an hour has a carrying capacity of  $1000 \times 10 = 10,000$  passengers p/km.

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p/h. An increase in the speed of existing means of mass transit would increase carrying capacity of vehicles. But greater speed is carefully avoided by private operators during off-peak hours in expectation that delay would fetch larger number of passengers. Hence quantity on overall supply is reduced thereby too, apart from the reduction in number of vehicles put to service.

Ideally an operator would like to have a large demand on each route every hour everyday, so that he could employ his vehicles of the most economical size and run them with optimum load at a minimum of ideal time. Such ideal demand condition may exist in bulk transportation of materials like oil, iron, timber and grain, but not in urban passenger transportation which inherently involves the peak and off-peak demand fluctuation. A transport organisation operating many vehicles may make some adjustment of supply by altering the number of vehicles to be pushed to service at different hours of the day. But for a single operator this is impossible. This is for the simple reason that it is easy to change the number of vehicles, but impossible to change their size to suit the needs of varying demand at different hours. The short run adjustment in supply by the operators may take the shape of altogether exclusion from service during the off peak in apprehension that the load may be too small to cover even the operating cost. That will obviously tell upon the supply sharply, causing immense hardship to the intending cummuters.

Apart from the quantity aspect, there is also the quality dimension which is no less important in the field of transport. The quality aspect may be regarded by the users sometimes as a cost and at other times as a benefit. The consideration of safety, speed, comfort, heat, noise, congestion, crowd, sanitation, company, etc , among many things go to make a journey more or less pleasurable. In urban transport, from the supply side, the difference in quality may be introduced by offering varying services such as ordinary bus, limited services bus, *deluxe* and mini bus, taxi etc.

Generally speaking, cost is a function of quality and demand a function of price and quality. In transport, however, quality is also a function of demand. High levels of demand-relative to capacity-produce inconvenience and discomfort. In particular, it makes quality difference more difficult both during peak period, if shortage of capacity

militates against the provision of *deluxe* option and during off-peak period, if lack of demand makes it impossible to provide more than one quality of service without, however, severe loss of frequency.

The need for transport is a basic necessity of urban life and as such its supply cannot be allowed to remain at the mercy of normal forces influencing supply. If the ordinary consideration of profit does not induce the private operators to provide the basic minimum quantity of supply, then the state, for the sake of public welfare, has to come forward and take up the responsibility of guaranteeing it.

#### REVENUE LEAKAGE AND 'PIRATE' OPERATION

The source of earning for a transport operator is the load that it carries; but maximum load causes overcrowding and sometimes may be detrimental to more earning. Excessive overcrowding itself is a brake upon revenue collection, either due to impossibility of approaching each passenger or due to dishonesty of passengers in the form of either non-payment altogether, or payment of less than exact fare. There is also another form of revenue leakage in the shape of acceptance of less than exact fare by the conductors without issue of tickets. But whatevers form it assumes, revenue leakage has the simple consequence of jeopardising the actual earning of the transport service, thereby telling upon its vitality.

In this sphere also the point of social awareness has a dominant role to play. There must be aroused in the commuters a sense of duty to pay the exact fare against issue of proper ticket and that too in their common interest of preserving vitality of the services which are so essential for their livelihood. To that end, there may be introduced, on the one hand, extensive campaigning for the purpose and on the other hand 'surprise checks' and 'supervisions' accompanied with a token dosage of penalty for detected non-payment. It is imperative that the people in general take to their heart the feeling that a petty personal gain of a few paise obtained in the non-payment of exact fare is a moral as well as social crime having an adverse effect upon the long-run availability of this very essential utility service.

There is, however, another form of deprival of revenue suffered in this field, due to what is known as 'pirate operation'. There are some operators who are interested to operate their vehicles only during the peak period, when they are sure of a good load and who go off the routes during the off-peak. They are designated, as 'pirate operators' and all 'charter operators' fall within this category. In general, the schedule operators will be at disadvantage against the 'pirate operators'; when the peak-demand is not too sharp and the greater revenue earned during the peak is expected to make up the loss of the off-peak

operation only marginally. The pirate operators, by taking away the cream of the peak-traffic deprive the schedule operators of the opportunity of making up the loss. Then the protection of the schedule operators against the competition of the pirate operators by means of government intervention becomes desired and necessary.

In the crowded cities like Calcutta where state and private undertakings co-exist in the field, the private operators with their exclusive motive of profit maximisation often behave like, 'pirate operators'. 'They push maximum service on routes during peak hours' and sometimes during off-peak hours, they run their vehicles by consuming enormously long time, making unnecessary delay so as to allow time to passengers to gather at successive stoppages. Although this is not keeping vehicles idle in the strict literal sense during off-peak, yet it comes about to the same thing. It is not meant that the state buses do maintain their scheduled frequency—rather the situation is often to the contrary. And the experience of the commuting public of Calcutta is that during off-peak hours, while private buses are visible on routes at long intervals, state-buses almost disappear altogether. That is, however, largely a point of inefficiency of management.

Unless public undertakings assume such large size as to comfortably cope with the peak demand of the cities, the private buses with all their evils have to be tolerated for the sake of commuters' interest, even if they operate as 'pirates'. And in fact, as noted above, it may be sometimes utterly diseconomic for transport undertakings to be so large in size as to manage the peak-traffic pressure.

The private operators are everywhere issued permits for running buses on city routes subject to fulfilment of certain conditions which presumably exclude 'pirate' operators in as much time and frequency of service as are indicated therein. Yet, even if, on grounds of non-compliance of permit-conditions they are ousted from the routes, the traffic problem will be, instead of being mitigated, aggravated sharply, by causing further shortage of supply during the peak-pressure.

As such it is a sphere where awareness of private operators regarding their social responsibility of abiding by the rules of traffic has to be helplessly depended upon and imposition of penalty for non-compliance with rules, will, paradoxically enough, aggravate the problem instead of solving it.

#### PASSENGER TRANSPORTATION—A PUBLIC UTILITY SERVICE

The concept of Public Utility Service applies to provision of goods and services that fulfil such demands which are considered basic necessities of human life and, therefore, if not provided free of charges or at a very low price, will cause immense hardship to the poorer

people with much adverse effects upon their health, real income and overall living standard. Passenger transportation in urban areas falls under this category, particularly, for the people who have no means to afford a reasonable private mode. It is never expected that transport services should be extended to even the uninhabited corners of the country, but where established communities exist, there should be adequate communications. People come to expect these services being provided at tolerable prices and in so far as they have established their lives on the basis of such services being provided in the past, they arouse a sympathetic hearing. The need for government management in the sphere of Public Utility Services appears where the interest of the poorer section of the people is involved. The omni-bus, being a cheap but quick transport mode through city streets, has a claim for being included in the category. Social awareness in the field of state-bus undertakings has a relevance particularly for the Working force therein, whose devotion to job and sincerity for duty as also honesty in dealings go a long way in improving efficiency of operation.

For the types of modes like rickshaws or even oil driven autorickshaws, which are technically called 'weaker modes' and which meet a considerable part of the total transit demand of the cities, their very existence has a deterrent effect on vehicular traffic flow. They are inappropriate in modern city life and should be abandoned. But they constitute an important source of employment to a large number of unskilled labourers who have no other opportunity, presently, open before them to fall back upon for earning their livelihood. Such modes are therefore to be tolerated as a necessary evil and the net discomfort brought about by them in the overall city life should be taken as a social cost. What is needed in this field is gradual abolition of these modes from the cities and as an initial step towards that, prohibitive measures may be imposed on the use of such modes in specific zones starting from the CBD and other centres and a policy of gradual extension of the prohibitive zone may be pursued.

#### CONCLUDING OBSERVATIONS

The problem associated with urban passenger traffic involves in many respects three parties, namely, the people in general inclusive of the commuters' section that gives rise to demand for transit need, the operators of public transport modes that provide the supply of transport services and the government or the public authority that on the one hand often itself acts as a supplier by operating public undertakings in the field and on the other hand, and more important part, regulates the overall vehicle movement by means of various

traffic laws including prohibitive or punitive measures so as to meet the transit needs in an optimal fashion. The question of social responsibilities in the matter has, obviously, bearing upon all the three parties, in more or less extents.

For the people in general that constitutes mainly the demand aspect, social responsibility here, is for the most part a passive one, rather than active. They are to bear the sufferings of all the evils emanating from the problems, whether they are due to paucity of vehicles, peak-off-peak demand fluctuation or congestion on city streets or any other, and leading to long waiting, excessive overcrowding and the consequent discomfort and belated reaching of destination, however, urgent the need might be on their part. And the most remarkable phenomenon is that, in remedying all these evils, the impacts of which are their concern they have themselves very little to do excepting patient tolerance of the situation. But there are some other aspects of the problem where they play some active role; obeying traffic measures meant for their part, paying exact fares for journeys undertaken, etc., are some of them.

The more important aspect of social responsibility relates to the operators. For, the most of the traffic problems originate either from non-availability of transit modes or from attempts to overtaking by one vehicle of another.

Passenger transportation is a field of operation which has been generally accepted as characteristically one of 'natural monopoly' mainly perhaps, because of the existence of peak and off-peak demand fluctuation, but partly also due to the fact that as service generated is exhausted instantaneously, if commuters are taken away by any competitor, there will be no revenue receipt for such service generated; and further that greater is the passenger volume at a point where the service is generated, greater will be the revenue receipt. Hence to the extent that in violation of the concept of 'natural monopoly' to which the present field is more suited, competing operators are permitted to ply their vehicles on routes, the innate motive of profit-earning is bound to create conditions of racing among the competitors, unusual and whimsical delay of vehicles enroute, etc., which are all detrimental to commuters' interest, and therefore, to social interest too. And it is doubtful how far the appeal to sense of social responsibility of the private profit seeking operators will be effective in countering these menaces.

For the public authority, the responsibility is perhaps the highest. That the state underlings, where they operate with large enough size (may be, to cope with the peak demand itself) have to suffer from huge scale-diseconomies is a proved experience in the Indian context. Hence state endeavours have to be supplemented with private operation,

however evilsome the latter might be, the workers of state-under-takings should however, develop a sense of devotion and social responsibility so that in such services, is reaped, maximum efficiency which by itself would go a long way in reducing the drudgery of passenger traffic.

The public authority is also responsible for enforcing the traffic rules and in these fields the agents entrusted with the job have to behave such wise that they are not only honest and sincere but also they look to be so in estimation of the concerned people, who thus may be relieved of the feeling that controllers of traffic regulations and/or persons entrusted with duty on the spot are making windfall personal gains at the cost of common interest by tacitly or openly allowing disorder in flow of vehicular traffic. Only then the common people may be expected to do their part of social obligation in the matter.

Truly, the essence of the problem of urban passenger transportation lies in the shortage supply relative to overall demand for the same. To the extent that new avenues for supply are opened up in an area by introducing such modes as, say, tube railway or circular railway or even ferry services, the pressure upon the existing modes is reduced, apart from increasing the overall supply and that is undoubtedly a right step towards right direction in the matter. □

# *Land Value Management: The Experience of Andhra Pradesh*

V. GNANESHWAR

LAND IS a unique creation and a precious gift of God. It is spatially specific and heterogenous. Every piece of land is unique for, its substitutes are available but not its attributes specific to use and location.<sup>1</sup> It can neither be created nor destroyed. The interesting nature of land is that it is non-perishable. It can be kept idle for centuries together, without destroying the basic features. Land, being immovable and open, its ownership receives immediate attention not only from the government but also from different social angles. Ownership has two dimensions—free holding and lease holding. Free holding is widely prevalent in India.

Land is a resource as well as an asset. As a resource, it provides raw materials for the industrial growth, and forms basis for agriculture, irrigation and housing. Further, land is an asset in the sense that it is capable of providing livelihood in a variety of forms to human beings. These factors have made the land very valuable causing a variety of human conflicts, ranging from petty family disputes to the wars between countries throughout human civilisations.

## THE PATTERN OF HUMAN SETTLEMENT

India is the seventh largest country in the world occupying about 2.4 per cent of the total world area. In terms of population, it is the second largest, contributing about 15 per cent to the world's population. The land-man ratio is worked out to be 0.48 hectares per head.<sup>2</sup> This ratio is lower than the other bigger countries like China, USA and USSR which had land-man ratios of 0.95, 4.07 and 8.37 hectares per

<sup>1</sup>Gopal Bhargava, *Urban Problems and Policy Perspectives*, Abhinav Publications, New Delhi, 1981, p. 222.

<sup>2</sup>E.F.N. Ribeiro, *Role of Small and Medium Towns in the Human Settlement Systems of India*, Town and Country Planning Organisation, Government of India, New Delhi, May, 1985, p. 2.

head respectively in 1981. Added to these, nearly 14 per cent of the land is said to be unusable due to topographic limitations. It is estimated that only 0.26 hectares per head would be available by the turn of the century.<sup>3</sup> This declining land-man ratio has serious implications on the future developmental pattern of the country.

In urban areas, the situation is still worse. It is estimated that urban areas with 1.61 per cent of the total area inhabited about 23 per cent of the total population of the country in 1981. Further, the growth of urban lands has been rapid since 1961. For instance, the land in urban areas was 3.8 million hectares in 1961 which increased to 4.3 million hectares by 1971 and 5.3 million hectares by 1981, registering a net addition of 1.5 million hectares in a span of two-decades.<sup>4</sup> The situation is still aggravated by the fact that 60 per cent of the total urban population lives in class I cities and the annual rate of increase of urban population has already reached four per cent in India.

#### LAND VALUES

The late 1970's experienced an unprecedented spurt in land prices in all the metropolitan and other bigger urban centres in India creating an awareness among administrators and politicians leading to an introspection of their development policies, strategies and programmes and their impact on the land. The subject of land values received prime attention from all angles.

In absolute terms, land is value-free for, its true value is beyond human comprehension. The visible dimension reveals that the entire panorama of life and civilisations exists on land. But the rise of industrialisation and urbanisation has created 'Economic Man' while causing disintegration of traditional, social and cultural fabric. Hence, the value of any piece of land flows mostly from its economic importance. Higher the economic importance, higher the land value, expressed in terms of land price in a free market economy.

However, the undercurrents of politico-socio-economic system mould the land value fabric. The political ideology, the social reforming efforts and the trends in the economic development all have their due role in shaping the land value structure. In a free economic system, individuals are allowed to own lands along with other immovable properties with certain planning restrictions. But in a socialist pattern of economy, legal restrictions are put forth on the private land holdings, tenures and their transfers. For instance, in India, the ceiling being imposed on the land holdings in urban as well as rural areas is a measure devised to socialise the land holdings as well as to curb the

<sup>3</sup>Ibid., Systems of India, *op. cit.*, p. 4.

<sup>4</sup>Ibid., pp. 4, 5.

increase of land prices. It has also restricted transfer of surplus lands between the private individuals.

In the Hyderabad Urban Agglomeration, the transfer of agricultural plots between individuals for residential purposes is banned, unless proper conversion sanction is obtained from the Hyderabad Urban development Authority. The Tenancy Acts operating in states like Andhra Pradesh provide legal hurdles on the ownership of agricultural lands. Another measure in vogue to discourage large urban land holdings is the municipal taxation on vacant lands. All these measures aim at socialisation of land ownership and its benefits but have subtle yet perceptible impact on the land value structure.

#### DYNAMICS OF URBAN LAND VALUES

Land is an indispensable factor in the urban development process. The unprecedented shift of rural population toward selective urban centres in most of the developing countries has caused exceptional rise in the importance of urban land. The non-reproductive nature of land coupled with the prohibitive servicing costs, intensified land use and legal constraints have not only contributed for the increased economic value to the central areas but also paved way for speculation activities in the peripheral areas where sub-division of agricultural lands takes place and prices start rising even before actual development occurs. Finally, the land use regulations and conflicting ownership rights have aggravated the situation further.<sup>5</sup>

The complexities of urban land valuation arise from the dynamics of urban development itself. The ever-increasing population pressures along with national socio-economic trends, inadequate and ineffective public policies and administrative regulations, manifest in urban sprawl, have far reaching impact on the Urban land value scenario.

The investigations of Sherman I. Maisel reveal that land prices depend mainly on the factors like population growth, artificial land shortages and speculative long-run factors.<sup>6</sup> And the model developed by scholars of the University of Pennsylvania,<sup>7</sup> relates the effects of urbanisation process, including technological innovations, institutional factors, taxes and developmental costs on the undeveloped urban vacant lands. It is put forth that the land prices reflect the capitalized value of expected future use.

<sup>5</sup>For a detailed description on these aspects refer *Urban Land Policy—Issues and Opportunities*, Harold B. Dunkerley, Coordinating Editor, Oxford University Press, 1983.

<sup>6</sup>H. Darin-Drabkin, *Land Policy and Urban Growth*, Pergaman Press, Oxford, 1977, p. 158.

<sup>7</sup>Darin-Drabkin, *op. cit.*, p. 156.

Hence, the subject of urban land valuation must be viewed in the context of total urban development system. The dynamics of development process play critical role in the land value formation. Any urban development policy envisaged, plan being implemented or development project being executed, disturb the existing land value structure. In majority of the cases, surplus land values are floated. The very announcement of a development plan or project, boosts up the land values, at least temporarily and if, they are carried out successfully, the surplus land values become reality. In the process, the factor of speculation enters while inflating the value frame. Speculation in land does not create value by itself but a market situation where an excess of natural demand for any specific use of land gets converted into scarcity and gap between demand and supply also gets magnified which in turn gives an impetus for further increase in land prices.<sup>8</sup>

At the micro level, there are mainly three factors governing the urban land values, *viz.*, location, land use and level of investments. Location has many facets in an urban system. Firstly, accessibility to the urban services and employment opportunities. Transportation network provides accessibility facility, especially in respect of residential areas. L. Wingo argues that a person is ready to pay higher amount for the land if its proximity to the town centres enables a corresponding saving—not only in actual travelling costs, but also the financial equivalent of the time lost in travelling to be made in the associated transportation costs.<sup>9</sup>

The economic values of urban lands depend mostly on the land use—residential, commercial, official, industrial, recreational, etc. The intensity and the kind of land use determines land value. The government regulations play vital role in this respect. For instance, the FSI restrictions on buildings affects the land values. The master plans which govern future developmental process in urban areas have direct bearing on the land value structure—present and future. This apart, the commercial land uses fetch higher rates in market compared to other uses.

Another significant facet of urban land value structure is the level of investment in building-up urban infrastructure—both by public authorities and private efforts. These investments create a variety of employment opportunities and services thereby attracting the people. This process of urban growth creates an additional land rent which in turn leads to higher land values. Thus, the urban land value belongs

<sup>8</sup>Gopal Bhargava, *op. cit.*, p. 220.

<sup>9</sup>Darin Drabkin, *op. cit.*, p. 151.

to society as it is created by the overall investments, not by an individual only.<sup>10</sup>

#### MARKET VALUE SCHEME OF ANDHRA PRADESH

The market value scheme launched by the Government of Andhra Pradesh on August 16, 1975, is an ambitious experiment in the annals of valuation of lands and buildings. Though its main objective is to arrest undervaluation of *properties for stamp duty purpose*, it has wider implications on the total development system. It has attempted a critical area of land valuation in the context of dynamic development.

The scheme was brought to existence while amending the Indian Stamp Act, 1899, *vide* Indian Stamp (A. P. Amendment) Act, 1971 (Act No. 22 of 1971). Prior to this scheme, the registrars responsible for assessing the lands for stamp duty purposes were going according to the considerations mentioned in the sale deeds. But over a period of time private parties developed the tendency to undervalue their lands and buildings in order to avoid the stamp duty. As both the vendor and the vendee are involved in the conspiracy of suppressing the facts for their mutual benefit, there was no way out to registering officials. In order to overcome this situation, the Indian Stamp Act was amended while introducing a new section, *i.e.*, 47-A. According to this amended Act, the registrars are given choice to refer to the collectors in case of the suspected undervaluation. The collectors in turn are made responsible to fix proper market values after a thorough enquiry conducted in the prescribed form. The collector, on receipt of a reference under sub-section (1) of section 47-A from the registering officials, issues a notice to both the vendee/s and the vendor/s inviting their written representation or otherwise along with evidence, if any, to support the considerations mentioned in the instruments within twentyone days from the date of service of the notice. After considering the representations received, if any, and a thorough enquiry by examining the records and evidences, the collector passes an order in writing provisionally determining the market value of the properties and the duty payable.<sup>11</sup> Further, the collector is also supposed to keep in view the following factors in determining the provisional market values :

(a) In case of agricultural lands :

(i) classification of land—dry, manavari, wet, etc.;

<sup>10</sup>Darin-Drabkin, *op. cit.*, p. 170

<sup>11</sup>Rule 4, Andhra Pradesh Stamp (Prevention of Undervaluation of Instruments) Rules, 1975, G.O. Ms. No 1031, Revenue (U-2), July 31, 1975, Revenue Department, Government of Andhra Pradesh, Hyderabad.

- (ii) the rate of revenue assessment for each classification;
- (iii) value of adjacent land/s;
- (iv) nature of crops raised and average yield from the land; and
- (v) nearness to road and market, distance from village; level of the land; transport facilities; and irrigation facilities.

(b) In case of house sites :

- (i) general value of house sites in the locality;
- (ii) nearness to road, railway station, bus station/route;
- (iii) nearness to market, shops, etc.;
- (iv) amenities available like public offices, hospitals and educational institutions;
- (v) development activities and industrial growth in the vicinity; and
- (vi) valuation of sites by local authorities for taxation purpose.<sup>12</sup>

The collector then communicates the provisional market values to the parties concerned for their objections. After hearing from the parties concerned on a specified date, the collector finally fixes the market values of the properties concerned and arranges for collection of the deficit stamp duty in specified time limit. A copy of the order is to be communicated to the Registering Officer concerned.<sup>13</sup>

However, if the party is not satisfied with the decision of the collector, he/she is left free to appeal to the appellate authority, the City Civil Court in case of the twin cities of Hyderabad and Secunderabad and in other cases the subordinate judge or, the district judge concerned in the absence of subordinate judge.<sup>14</sup> Thus, the registrar is given the role of assessing authority while the collector is made the valuation authority.

#### *What is Market Value?*

The urban land market is unique in urban economy. The general law of supply and demand does not influence the urban land market unlike other commodities, for, the demand and supply of urban land are related to specific locations. Location affects land values depending

<sup>12</sup>Rule 5, Andhra Pradesh Stamp (Prevention of Undervaluation of Instruments) Rules, *op. cit.*, 1975.

<sup>13</sup>Rule 6 and 7, Andhra Pradesh Stamp (Prevention of Undervaluation of Instruments) Rules, *op. cit.*, 1975.

<sup>14</sup>Sub-Section 4 of the Section 47-A, Indian Stamp (Andhra Pradesh Amendment) Act, 1971, the Andhra Pradesh Gazette Part IV-B, Extraordinary, November 12, 1971, Hyderabad.

upon the use. Further, the location exerts greater influence on land values in regard to commercial land use than the residential.<sup>15</sup> The expected land use, expected demand, the taxation policy, rate of interest, etc., also play vital role in affecting the urban land values.<sup>16</sup> The Market Value, as defined by the Indian Stamp Act, is estimated to be the price which in the opinion of the collectors or the appellate authority, as the case may be, such property would have fetched or would fetch if sold in the open market on the date of execution of the instrument of conveyance, exchange, gift, portion or settlement.<sup>17</sup>

#### *Organisation*

The Market Value Scheme operates under the supervision of the Inspector-General of Registration and Stamps, who in turn is under the overall control of the Commissioner, Survey, Settlement and Land Records, Government of Andhra Pradesh. There is a small cell in the office of the Inspector-General, Registration and Stamps headed by a Special Officer—Market Value—Registration and Stamps in the rank of a Special Grade Deputy Collector with some ministerial staff. Initially, when the scheme was implemented in the year 1975, the assistance of the revenue official and the PWD (Buildings) officials was taken for preparing the basic registers. Later, the tasks of updating and rationalizing the valuation methods are being undertaken by the Registration Agency itself with skeleton staff at headquarters and additional staff at field level. One sub-registrar of grade II, one UDC and one attender were sanctioned to each district registrar for carrying out the Market Value Scheme.<sup>18</sup> The Inspector-General of Registration and Stamps provides the needed official direction and guidance through official circulars and field level conferences. Further, internal audit or pre-audit is introduced in the year 1985 to improve the efficacy of the Market Value Scheme.

#### *Process*

The Market Value Scheme of the Government of Andhra Pradesh is primarily devised to arrest undervaluation of properties for stamp duty purposes. In order to achieve this, a stupendous effort is being made. The basic registers are being prepared containing the basic land values to guide the registering officials in their day-to-day tasks. A thorough land value survey is made to prepare these basic registers.

<sup>15</sup>Darin-Drabkin, *op. cit.*, p. 170.

<sup>16</sup>*Ibid.*, p. 169.

<sup>17</sup>Indian Stamp Act, Sub-Section 6 of the Section 47-A, *op. cit.*

<sup>18</sup>G.O. Ms. No. 1109, dated July 10, 1981, Revenue Department, Government of Andhra Pradesh, Hyderabad.

Broadly, the lands are classified into agricultural lands and house sites. The agricultural lands are again sub-divided into dry, wet and garden lands; manavari lands, government lands, and poromboke lands. On macro scale, the scale and pace of urbanisation, rate of interest, fluctuations in rupee value, land acquisition and industrial development proposals are taken into consideration in valuation of urban lands. In assessing the market values of agricultural lands, the factors like yield from the lands, nearness to road or market place, level of the land, nature of crops, etc., are taken into consideration. The house sites are sub-categorised into residential, commercial, industrial, slum and official zones based on their use. And while fixing the individual site values, the factors like location either on the main road or on the sub-road, state of civic infrastructure and the state of industrial growth are considered. In the case of buildings, the main value determining factors are identified to be the type of construction, location, usage, year of construction, rate of depreciation and property tax.

Entire data, thus collected, are feeded into the preparation of basic registers wherein land prices, land price being monetary expression of land value, survey numberwise, and locality/block/wardwise for each village/town or city are documented. These basic registers are kept in the registration offices and are made accessible to the general public. They are not legal documents and hence have no statutory basis. However, they are expected to guide the registrars engaged in the registration task. It is observed that the registering officers are free to fix the market value of properties highest amongst the following :

- (a) consideration stated in the document,
- (b) market value as estimated by the party,
- (c) market value as per the basic register, and
- (d) 18 times of annual rental value in case of buildings.

The basic registers were prepared initially by the revenue authorities in cooperation with a number of agencies and individuals. Firstly, the respective village and municipal authorities were asked to provide the prevailing land prices of all the lands situated in their respective jurisdiction. The average land values for each category dry, wet and garden house sites were arrived at based on these rates supported by personal interviews at local level. They are called 'Proposed Ruling Market Values'. The average actual registration figures for the preceding seven years that is, 1968-74 were taken into consideration. The basic land prices were arrived at by comparison of basic register averages with the registration averages. The final land prices emerged

out of these efforts. The basic registers were then authenticated by revenue officials in the following manner :

- |   |   |
|---|---|
| (a) Joint Collector (formerly District Revenue Officer) | Municipal towns and highly commercial and industrial areas.   |
| (b) Revenue Divisional Officer                          | Tq. headquarter towns, heavy land acquisition villages, Firkha headquarter villages in delta and project areas. |
| (c) Tahsildar   | Rest of the villages.   |

The undervaluation cases are referred to respective collectors (*vide* Sec. 47-A, Indian Stamp Act.) in respect of municipalities, towns and villages for which market values are authenticated by the joint collector. And in respect of all taluk headquarters, firkha headquarters in delta areas, industrial areas and other areas wherein the market values are authenticated by the revenue divisional officers, the joint collectors concerned look into the problem of undervaluations. The revenue divisional officers look into the rest of the cases. However, with the increasingly heavy burden on the district collectors, their powers are delegated to the PA's to collectors. In some cases, where heavy pendency is involved, e.g., Chittoor, Cuddupah, Ananthapur, East Godavari and twin cities of Hyderabad and Secunderabad special cells are also created under the headship of the special deputy collector, with two deputy tahsildars, two revenue inspectors, one LD steno and two attenders.<sup>19</sup>

There is yet another dimension of undervaluation of properties, that is, the Income-Tax Department. As per section 269 (C) of the Income-Tax Act, 1961, the competent authority of the Income-Tax Department can acquire a property whose fair market value is beyond rupees twenty-five thousand and whose fair market value exceeds the apparent consideration by more than fifteen per cent, the acquisition proceedings can be initiated only within nine months of the registration of the document. As a precautionary measure, the Income-Tax Act, 1961, *vide* section 269 (P) bans the registering officials to register any immoveable properties, including lands, whose apparent consideration is above ten thousand rupees unless a clearance from the Income-Tax Department in the prescribed format is obtained. The registering officials are bound to forward fortnightly statement comprising such cases to the Income-Tax Department.

In order to find out the fair market values of immoveable properties,

<sup>19</sup>G.O. Ms. No. 4887, dated November 21, 1980, Revenue Department, Government of Andhra Pradesh, Hyderabad.

the Income-Tax Department has a separate valuation cell, manned by technical experts in property valuation. It is observed that the valuation officers of this cell depend to a large extent on the land values of the already registered properties of similar nature. The only deviance seems to be that the registered land values located on the road side are taken and a rebate up to thirty per cent is being granted to interior sites. Though there may be variations in the valuation of buildings, the land valuation exercise seems to be similar. Further, in Andhra Pradesh the revision of official land values has become almost an annual phenomenon. Hence, the scope for undervaluation of land properties and their acquisition by the Income-tax Department gets minimised.

#### *Land Value Change Continuum*

The land value structure fluctuates rapidly in an ever changing urban situation. Periodic revision of the land prices assumes greater significance in this context. The scheme came into existence on August 16, 1975 and the first revision took place in the year 1981-82 and the new rates were applied with effect from August 16, 1982. During this revision the entire work was taken-up by the Registration Department itself. However, suggestions were invited from various departments like village panchayats, municipalities and corporations while revising the land prices. And the latest revision came into operation with effect from May 1, 1985, with proposals for another revision in the year 1986. According to the original scheme the revisions are to be taken up every fifth year. The main reason for such rapid revisions appears to be getting more revenue through stamp duty.

There is radical change in the methodology of valuation. Land prices—maximum and minimum rates are obtained from various registering officers with their comments and the prices are finally revised in terms of percentage increases for entire villages/wards rather than individual plot or site basis which was adopted earlier. This departure has made the entire scheme unscientific and illogical.

#### *Evaluation*

Though the main objective of the market value scheme is arresting the deliberate undervaluation of lands and buildings for stamp duty purposes, it has assumed vital role in the entire land value management system, for, the land values assessed by the Registration Agency form basis for a number of other governmental transactions. Firstly, the prices as fixed by the Registration Agency or actually registered prices, which are found to be almost same, are taken into consideration in deciding the compensation in respect of lands acquired for public purposes by the government. Again when development agencies like

the urban development authorities embark upon allotment of the developed plots to various individuals, the prevailing market values are ascertained from the registration offices which form basis for fixing the land prices. This apart, when a municipality or municipal corporation imposes tax on the vacant lands, it is invariably based on the capital values. The source for ascertaining the capital values is again the registration office. The Income-tax Department also assesses lands and buildings based on the registration statistics.

The Market Value Scheme is expected to provide a realistic spectrum of land values as far as possible and help in mopping-up additional revenues either in the form of stamp duty or surcharge on stamp duty on immovable properties, the beneficiary being the local bodies—municipal and non-municipal. For instance, it is estimated that in the State of Andhra Pradesh, the government had to incur an expenditure of Rs. 10 lakh for introducing the scheme in the year 1975 and for its implementation an additional expenditure of Rs. 0.75 lakh per annum is being incurred whereas the government could get an additional revenue of Rs. 8 crore per annum. Again, it is observed that the government had incurred Rs. 5 lakh for the first revision but with an additional annual income of about Rs. 1.5 crore. This reveals the remunerative aspect of the scheme. And the latest revision of 1985 has tremendous potential for additional revenue as the prices are raised on percentage basis ranging from 50 per cent to 400 per cent.

To sum up, the scheme has not only potential in adding revenues but also in reducing the gap between the actual land prices and the registered prices, through a scientific analysis and documentation. In order to realise these benefits fully, the scheme must be implemented in full swing with a compliment of adequate trained land/building valuers. At present, it is observed that the Market Value Cell in the registration Department lacks adequate staff. The entire revision in the year 1982 was undertaken only with one qualified officer, i.e., grade II sub-registrar. And in the latest revision, the rigour and vigour have evaporated making the entire exercise a formality and paper exercise. An ideal arrangement would be a collaborative effort involving the Registration Department, Income-Tax Department, civic and other local bodies and other development agencies engaged in the acquisition and development of lands. Though the local bodies are involved at present, their participation can be made more effective while devising the operational linkages with the market value cell. Special Purpose Committees including the private developers and registered Valuers must be constituted to go deep into the dynamics of land values. Thorough revision must be carried out at regular intervals, especially in the rapidly growing urban centres. □

## *Coordination of Delhi's Development: The Future Set-up of Delhi*

SHIV CHARAN GUPTA

THE POPULATION of Delhi has been increasing with a much faster speed which puts out of gear the plans for providing housing, civic amenities, community facilities and the avenues of employment for the increasing working force. Though the growth of Delhi has been channelised under the Master Plan, involvement of myriad action agencies both local and central ministries, has been posing the problem of coordination of planned effort by the multiple action agencies. This has been highlighted from time to time and efforts have been made to minimise the problem of coordination. However, an effective solution to this problem is inevitably linked up with the political set-up of the Union Territory of Delhi, itself.

The paper, therefore, examines the set-up of Delhi and gives suggestion for effectively dealing with the problems arising out of the lack of coordination of planned urban development in the national capital.

### PRE-INDEPENDENCE SET-UP

Prior to Independence, Delhi had a number of municipalities and the administration was being looked after by the Chief Commissioner since 1912 when the capital was transferred from Calcutta to Delhi. Prior to 1912 Delhi was the headquarter of a Division which consisted of Simla, Ambala, Hissar, Karnal, Rohtak, Gurgaon and Delhi—consisting of Tehsil of Delhi, Ballabgarh and Sonepat.

### DELHI—PART 'C' STATE IN 1951 AND ITS ABOLITION IN 1956

After Independence in 1947, Delhi was made a part 'C' state and was given a Legislature and a Council of Ministers to aid and advise the Chief Commissioner in exercise of his functions. Delhi ceased to be a part 'C' state with effect from November 1, 1956 and its Legislative Assembly and the Council of Ministers were abolished. Thus with the

passage of State Reorganization Act, 1956, Delhi became a Union Territory under the direct responsibility of the President of India acting through the Administrator of Delhi, at present the Lt. Governor.

#### FORMATION OF DELHI MUNICIPAL CORPORATION IN 1958

Having regard to the recommendations of the State Reorganization Commission, Delhi Municipal Corporation was constituted under the Delhi Municipal Act, 1957 and 10 Municipalities, Notified Area Committees, District Boards were merged into it and 3 Statutory Committees for Water Supply and Sewage Disposal, Supply of Electricity and Transport were created under it. The salient feature of this set-up is that Executive and Deliberative wings are separate and administratively it is under the central government but the Deliberative Wing keeps on fighting for executive powers as the increasing population of Delhi poses challenges every day and the elected representatives think that they could solve their problems effectively if they have executive powers also.

#### THE DELHI DEVELOPMENT ACT, 1957 AND ESTABLISHMENT OF DDA

The area of Union Territory of Delhi is 578 sq. miles. In order to promote planned development of Delhi and to meet the requirements of increasing population the Delhi Development Authority was created under the Delhi Development Act, 1957. Master Plan for Delhi came into force with effect from June 1, 1962 and several recommendations were made in it regarding institutional and resource requirements to meet the needs of population up to 1981. But many of these recommendations were not implemented and, on the other hand, it started house building in a big way with the result that the DDA could succeed only partially in achieving the objective for which it was created. The Second Master Plan or the Perspective Plan of Delhi—2001 is not yet finalised although work on it started nine years back and five years have already elapsed after expiry of the first Master Plan. It has also been debated in last one year whether this organisation should function as it is functioning at present or its scope should be limited to planning and development of land for which it was created and whether it should be brought under the Delhi Administration as administratively it is under the Ministry of Urban Development. One fact is abundantly clear that it is charged with a great responsibility and we cannot afford to fiddle with it. There is need to pay utmost attention to it and handicaps with which it is suffering should be removed and its work, scope and functions should be redefined with a view to make it really effective to discharge its responsibilities and also to give people a

sense of participation and involvement in its various activities. The influx of population from adjoining states of Haryana and UP and Rajasthan are breaking the seams of Delhi and with the present speed, population of Delhi may be around 2 crore in 2000. It is not possible to accommodate this large number in the present limits of Delhi. The framers of the Master Plan in 1961 expressed their fears about it and had recommended not only integrated planning and development of Metropolitan area (800 sq. miles) and National Capital Region (3400 sq. miles) but had indicated desirability of increasing the limits of Delhi. It should now be examined what is to be done about continuous flow of population and their attending problems and in case the flow is not checked to what extent the boundaries of Delhi be extended for integrated planning and development to meet the present and future challenges. Although National Capital Region Board has been constituted last year, it is more or less a coordinating agency with no administrative responsibility of the region and therefore is not very effective.

#### SET-UP AGREED IN 1966

1. Delhi Metropolitan Council and the Executive Council be created.
2. Delhi Municipal Corporation Act, 1957 under which the Municipal Corporation was created, be amended so as to provide for a Mayor-in-Council which was to be charged with the responsibility to run the civic government of Delhi. It meant that Mayor-in-Council will be the chief executive instead of the Commissioner.
3. Separate statutory boards for transport, supply of electricity and water and sewage disposal would be created under the central government.

Although a section of representatives was not happy about the arrangement as the Metropolitan Council as envisaged would be nothing but a debating society, yet the measure was passed in 1966 and an interim Metropolitan Council was formed on October 2, 1966. But the Delhi Municipal Corporation Amending Bill incorporating amendments to provide for at No. 2 and 3 above, although circulated in the Parliament in 1966, could not even be discussed and lapsed. However, the Delhi Transport Corporation under the central government was created and the Delhi Transport Undertaking was taken away from the municipal corporation with effect from November 3, 1971 according to the provisions of the Delhi Transport Laws (Amendment) Act, 1971.

ADMINISTRATIVE REFORMS COMMISSION

The Government of India appointed an Administrative Reforms Commission in 1967. The Commission studied the civic as well as governmental set-up of Delhi in great detail and in its report submitted to the Government of India on 28th January, 1969, *inter alia*, recommended that :

1. The Municipal Corporation may be abolished and its functions and powers be entrusted to the Delhi Metropolitan Council.
2. There may be separate Committees for Municipal functions which may be delegated powers by the Metropolitan Council to carry out day to day functions in their respective areas.
3. The Chief Executive Councillor be appointed by the Administrator (select a person who commands majority in the Metropolitan Council). Two Executive Councillors be appointed by the Administrator on the advice of the Chief Executive Councillor. The Executive Council will be collectively responsible to the Metropolitan Council.
4. The presiding authority of the Metropolitan Council may be called the 'Mayor'.
5. New Delhi Municipal Committee will be a separate body which would consist of 5 elected members from the 5 constituencies in which the area of the New Delhi Municipal Committee would be divided and 5 members of the Committee would be nominated by the central government alongwith the President.
6. The Administration of the Cantonment Area would continue to be governed according to the provisions of the Cantonment Act, 1924.
7. The Metropolitan Council would consist of 56 elected members, 3 representatives of each of the Delhi Municipal Committee and one representative each of the Delhi Cantonment Board and 3 Statutory Boards of Water Supply and Sewage Disposal, Electricity Supply and Transport, (63 members).
8. The Territory's Budget will broadly consist of three parts, viz : (a) the budget relating to the Metropolitan Council's Municipal Functions, (b) the budget relating to the 'Reserved subjects', and (c) the budget relating to the 'Transferred' subjects.
9. The budget relating to Municipal functions would be passed by the Metropolitan Council and the remaining budgets of 'Reserved' subjects and 'Transferred' subjects would be passed by the Parliament.
10. The legislative powers would vest in the Parliament except that in relation to municipal affairs the Metropolitan Council

- would frame bye-laws and regulations.
11. The Administrator would act as an agent of the central government in relation to 'Reserved subjects'. In the matter of 'Transferred subjects' he will function as a constitutional head similar to Governor in a state.
  12. The Delhi Development Authority would continue as heretofore according to the Delhi Development Act, 1957.

The recommendations of the Administrative Reforms Commission were not accepted by the Government of India and thus the Delhi Metropolitan Council and the Delhi Municipal Corporation in their present form are continuing. It should, however, be noted that ever since these bodies came into existence in 1958 and 1966 respectively, they have been condemned by one and all political parties as incompetent to serve the growing needs of the capital and to satisfy urges and aspirations of the people of Delhi. It has been rightly argued that Delhi is suffering from multiplicity of authorities which is the bane of Delhi life.

After due deliberation at different levels following set-up was agreed to in 1978.

On persistent demand of the people of Delhi, the central government under the Janta Party decided to give Goa type set-up to Delhi and introduced in the Lok Sabha on 11th August, 1978 the Government of Union Territories (Amendment) Bill 1978 to amend Government of Union Territories Act, 1963 by virtue of which a Legislative Assembly and a Council of Ministers was given to the Union Territories. To enable the above Amending Bill to be discussed and passed by the Parliament, Constitution Amendment Bill to amend Article 239 of the Constitution was also introduced but none of these measures could be passed.

All sections of Delhi agreed that the proposed arrangement was an improvement on the present set-up, although it was no answer to do away with multiplicity of authorities. A section, however, thought that Delhi had a case for more powers as is being enjoyed by other states and the proposed arrangement would not be effective in solving various problems Delhi is facing and would not satisfy urges and aspirations of the people.

Delhi Pradesh Congress Committee (I) has all along been promising an Assembly for Delhi. The Bhartiya Janta Party, Janta Party and Communist Party of India and other political groups have also been promising an Assembly for Delhi.

#### **THE PROPOSED SET-UP**

There have been several discussions in the past regarding future set-up of Delhi. In 1966, the set-up agreed by the Government of

India was given in part only. The recommendations made in 1969 by the Administrative Reforms Commission appointed by the Government of India were not accepted by the Government.

The situation has tremendously changed on account of rapid growth of population which stands around 80 lakh at present and is likely to touch 2 crore by the end of the century. It is, therefore, pertinent to discuss both civic and governmental set-up to meet the growing needs of Delhi at all levels. I, therefore, venture to make the following suggestions :

#### CIVIC SET-UP

1. The limits of New Delhi Municipal Committee being governed by out dated Punjab Municipal Act, 1911 be extended and it should be replaced by a Commissioner Strong New Delhi Municipal Corporation which should be partly elected and partly nominated with a non-official Mayor.
2. There may be a Mayor Strong, Delhi Municipal Corporation covering ward 1 to 16. Minto Road and Civil Lines area.
3. There may be a Mayor Strong, East Delhi Municipal Corporation covering trans-Yamuna area.
4. There may be a Mayor Strong, South Delhi Municipal Corporation.
5. There may be a Mayor Strong, West Delhi Municipal Corporation.
6. There may be a Delhi Cantonment Board.
7. There may be Municipal Corporation/Municipal Committees, Zila Parishads in the areas of the National Capital Region merged in Delhi.

These bodies may be responsible for distribution of electricity, internal water supply, water and sewage disposal.

#### ADMINISTRATIVE SET-UP

1. The limits of Delhi should be extended encompassing areas of the National Capital Region.
2. There may be an Assembly with Council of Ministers for this area except the area covered by the New Delhi Municipal Corporation.
3. The Municipal Corporations mentioned above should be under the Delhi state government except that in the matter of New Delhi Municipal Corporation, Lt. Governer should act in consultation with the Delhi Ministry. There should be a statutory provision for their coordination by the Delhi state

- government and it should have powers to direct these Corporations in the larger interest.
4. The generation of electricity, bulk production of water and bulk-disposal of sewage, the DDA, Delhi Transport Corporation, Delhi Milk Scheme and other such boards and authorities functioning at present or to be set up in future for various purposes like housing, etc., should be under the Delhi Government.
  5. In the matter of law and order, the Lt. Governor should act in consultation with the Delhi state government.

#### **L.T. GOVERNOR**

In the matter of New Delhi Municipal Corporation and law and order, the Lt. Governor shall have the final say. He will also have powers to issue directives in all matters, if so required to carry out the orders of the central government.

It is argued that the fault does not lie in the constitution. It lies in the quality of our political process, in the character of our public figures. Nevertheless, the source of power, accountability both of politicians and administrators at the helm of affairs, commitment to the people, dedication and devotion are important and it is with this objective that the matter should be deliberated upon and consensus arrived at and the government forced to take early steps to enforce it.

#### **INTERIM PROPOSAL**

The consideration of the above proposal or any other proposal requiring amendment of Delhi Administration Act 1966 or a new legislation will take quite some time. It is, therefore, imperative to grip the situation immediately to face the challenges within the ambit of law(s) in force. In view of this it is desirable that the powers of the Government of India in relation to various statutory boards and authorities like the DTC, DDA, etc., and bodies created under administrative orders like Delhi Milk Scheme, etc., be delegated to the Lt. Governor and the financial allocations with regard to them in the budgets of different ministries be included in the budget of Delhi Administration by amending the financial rules. Thus these institutions would be administratively under Delhi Administration and the Administration will be in a position to coordinate their activities, lay down policies, issue directions and give financial sanctions and these bodies would be accountable to the Administrator. This would go a long way for effective coordination and minimise the rigors of multiplicity of authorities the people of Delhi are suffering from.

The Lt. Governor would have a fresh look on the rules and procedures governing the Executive Council and could consult them individually or collectively in matters of Reserved Subjects as well. This would practically involve participation of popular representatives in day to day functioning of the Reserved Subjects.

The above arrangement can go a long way in improving situation in Delhi merely by administrative orders and do away with references to different ministries of the Government of India on various matters as is the practice today.

Although a state assembly with decentralisation of civic set-up is the ideal solution but as an interim measure, the above arrangement would minimise the overlapping of functions and bane of multiplicity of authorities. If this works the people may tend to bypass demand for Assembly and the objection of the two governments in a federal capital which has been there for last many years will also be met. □

## *Book Review*

*Rural Industrialisation in India : Strategy and Approach*, SHRINIVAS Y. THAKUR, New Delhi, Sterling Publishers, Pvt. Ltd., 1985, pp. 143, Rs. 90.00.

Several attempts have been made in recent years by a number of experts to analyse the developmental experience of India so as to explain the persistence of rural poverty and unemployment/under-employment despite more than three decades of planning. The findings of many of such studies are in broad conformity with each other. The strategy of development followed has been a major culprit. It has resulted in concentration of economic activities in a few areas and in a few hands. The book under review comes to similar conclusion. It agrees with the oft repeated viewpoint that the green revolution, which made the country self-sufficient in foodgrains, led to proletarisation of the peasantry by accentuating the problems of landlessness and unequal income distribution. According to the book, the concentration of poverty and underemployment in rural areas also resulted from the aggravation of the centre peripheral conflict through a development strategy which led to the lop-sided development and over-development of a few cities and towns leaving a vast multitude of population in the countryside untouched by modern development stimuli. The spread effects of industrialisation have been extremely poor. The book, makes out a strong case for rural industrialisation and suggests a suitable strategy for the same.

There are seven chapters in the book. Chapter 1 gives background information on rural poverty and relevant programmes of development. Chapter 2 gives details of some of the programmes of industrial development of backward areas. Chapter 3 gives a very brief outline of measures taken by the authorities such as the KVIC for promotion of khadi and village industries. Chapter 4 presents a case for rural industrialisation. The familiar reasons are mentioned. Chapter 5 gives main features of the strategy of rural industrialisation advocated by the author with emphasis on appropriate solution of industries including their locations, local participation, training facilities and choice of technology. Chapter 6 gives a detailed description of various industries and classifies them into certain groups based on sources of

input and types of market, etc. Chapter 7, highlights the main conclusions.

The case for rural industrialisation is made again and again. But how to bring it about? The author fails to provide a satisfactory framework. His treatment of this aspect which is the most crucial aspect remains sketchy and devoid of any new ideas. It would have been better if the author, instead of dwelling at length on giving the background information, would have concentrated on giving a better picture of his strategy of bringing about rural industrialisation. As it stands, the usefulness of and rationale for this publication remains doubtful.

—KAMTA PRASAD

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# *Urbanisation and Urban Problems in India*

S. SIVA RAJU  
I. UDAYA BHASKARA REDDY

URBANISATION IS the process of becoming urban, moving to cities, changing from agriculture to other pursuits common to cities, and corresponding changing of behaviour patterns.<sup>1</sup> Thus urbanisation refers to the concentration of population through movement and redistribution. It is closely linked with industrialisation or overall economic development. Due to the shift from an agricultural to an industrial based society, production multiplies and diversifies as new products appear and population increases rapidly. Workers leave the countryside and flock in great numbers to towns and factories. Their occupations become specialised and change towards services, skilled traders and machine operations. Industrialisation affects not only the role and growth of particular urban areas, but also the type of growth in urbanisation as well as relative level of economic development involved in urbanisation. Some of the advantages of increasing urbanisation are more organised nature of economic activity, higher productivity, better standard of living, higher literacy, etc. On the other hand, housing shortages, growth of slums, problems of civic facilities, problems of environment and a host of other problems created out of a very high density of population are disadvantages of increasing urbanisation.

## RAPID POPULATION GROWTH

A glance at the population statistics clearly indicates an alarming growth of urban population. Fortyone per cent of world's population in

<sup>1</sup>J. Clyde Mitchell, "Urbanization, Detribalization and Stabilization in Southern Africa : A Problem of Definition and Measurement", *Report of the International African Institute*, London, cited in Breese, G. "Urbanisation in Newly Developing Countries", *Bureau of Urban Research*, Princeton University, Prentice-Hall of India Pvt. Ltd., New Delhi, 1969 p. 3.

1980 was estimated to reside in urban areas. It was further estimated that 70 per cent of the population in the more developed regions and 31 per cent of that in the less developed regions were in the urban areas.<sup>2</sup> The situation in India is not exceptional to this trend. The urban population in India has increased from 106 million in 1971 to 156 million in 1981 and thereby the proportion of urban to total population went up from 20 to 23 per cent and the decadal growth rate during 1971-81 was 46 per cent.

Though India ranked 91st among all countries in terms of the level of urbanisation, it must be noted that it is ranked third after USA and USSR, as a country having large urban population.<sup>3</sup>

It is estimated that slightly over one-half of the world's population will be living in urban areas by the year 2000 and by 2025 the figure will have increased to two-thirds.

Further, urban population is projected to reach 79 per cent by 2000 and 87 per cent by 2025 in more developed regions and 44 per cent and 61 per cent respectively in the less developed regions. By the year 2000, the urban population in developing regions will outnumber that in more developed by a ratio of 2:1 increasing to a ratio of 4:1 by 2025.<sup>4</sup> In India, like other developing countries, the largest cities are growing faster than all other types of urban settlements. The number of million plus cities increased from 9 in 1971 to 12 in 1981. According to 1981 census, much of the urban growth during 1971-81 has occurred in Class I cities (those with 5 lakh and above) which gained 31 million; Class II cities (with 2 lakh to 4.99 lakh) gained 6 million new residents (see Table 1). The share of six largest urban cities, namely, Calcutta, Bombay, Delhi, Madras, Bangalore and Hyderabad in the total urban population is 21 per cent.

The later a country becomes industrialised, the faster its urbanisation. Industrial location has direct bearing on the pattern of urbanisation. The best example in India is Bombay, wherein nearly 80 per cent of industrial licences were issued during 1953-61, though the city constitutes only 10 per cent of the total population in

<sup>2</sup>United Nations, "Patterns of Urban and Rural Population Growth", *Population Studies*, No. 68, Department of International Economic and Social Affairs, 1980, pp. 15-16.

<sup>3</sup>World Bank Staff Working Paper No. 209, cited in "A Note on Urbanisation Patterns in Gujarat", by Madhukant Patel, *Nagarlok*, Vol. XVII, No. 3, 1985, p. 33.

<sup>4</sup>United Nations, "Estimates and Projections of Urban, Rural and City Populations 1950-2025 : the 1980 Assessment", cited in *People*, New York, Vol. 10, No. 2, 1983, p. 36.

TABLE 1 POPULATION GROWTH IN MILLION PLUS CITIES OF INDIA—1981

<i>City</i>	<i>Population in millions</i>	<i>Growth rate (%) 1971-81</i>
1. Calcutta	9.17	30.4
2. Greater Bombay	8.23	37.8
3. Delhi	5.71	56.7
4. Madras	4.28	34.9
5. Bangalore	2.91	76.2
6. Hyderabad	2.53	40.7
7. Ahmedabad	2.52	43.5
8. Kanpur	1.69	32.4
9. Pune	1.69	48.5
10. Nagpur	1.30	39.5
11. Lucknow	1.01	23.1
12. Jaipur	1.00	57.8

SOURCE : *Census of India, 1981.*

Maharashtra State.<sup>5</sup> The bigger the unit, the faster it seems to grow. "Towns grow more rapidly than villages, cities faster than towns, cities of more than million, faster than cities with less than a million and multi million cities fastest of all".<sup>6</sup>

#### EFFECT OF MIGRATION

Migration feeds urbanisation. It usually has favourable economic and social consequences. Due to high unemployment and under employment in rural areas and because of existing wide employment opportunities, availability of high educational facilities, specialised purchases, specialised medical treatment, cultural and recreational facilities in urban areas, rural population prefer to migrate to urban places. In addition to these, people prefer urban life for its formal administration, the rule of impersonal law, money economy connected with wide marketing and banking, market oriented production, institutional services for welfare and standing police force. There is complex division of labour in urban areas and freedom from traditional and backward living. Migration leads to concentration of diverse groups of people at different spots for food, shelter and protection; the result is noticed in the emergence of quasi-primary and secondary

<sup>5</sup>Ashis Bose, *Urbanisation in India—An Inventory of Source Material*, Academic Book Ltd., New Delhi, 1970, pp. 74-75.

<sup>6</sup>Richard T. Geruson and Dennis McGrath, *Cities and Urbanisation*, Pragler Publishers, New York, 1977, p. 201.

networks of economic relationship which basically form the main-stream of urbanisation. The trend in various migration streams reveals that rural-urban migration is quite high in cities of India.

On the basis of the 1971 census data, the classification of the total 148 cities/urban agglomeration revealed that in 25 cities, the migrant population constitutes more than 50 per cent, while in another 34 cities they constitute between 40-49 per cent, followed by 30-39 per cent in 56 cities and in the remaining 33 cities their percentage share is less than 30 per cent of the total population.<sup>7</sup> Bombay may be considered as a typical example for the maximum contribution of migration to the total population of a city. Nearly two-thirds of Bombay population has come in the past 30 years. The population of Bombay which was only 2.9 million in 1971, has crossed 8 million in 1981. The city accounts for over 1 per cent of entire India's population and 6 per cent of its urban population.<sup>8</sup>

Due to over-migration, the major problems of cities are unemployment, congestion, housing shortages, growth of slums, straining of urban services, pollution, possible increase in crime rates, etc. The industrial cities grew so rapidly without plan or supervision that even most elementary services could not keep up with population growth. The unprecedented expansion of cities will have far-reaching consequences. They are unable to handle such large number of people and some urban facilities are even at the verge of collapse.

The present paper discusses at length the various urban problems like housing shortages, growth of slums, environmental pollution, deficiencies in civic amenities, inadequate transportation, drug addiction, deterioration of peace and security and other host of problems arising out of rapid population growth in urban centres of India.

#### HOUSING SHORTAGES

Housing gets top priority whenever urban problems are discussed, because it causes the most concern to a majority of urban dwellers to find an appropriate place to live in. Industrialisation and consequent urbanisation have had their greatest united impact on the housing situation in the cities. The need for housing in urban areas was so great that only the quantitative aspect was taken into consideration. Urbanisation has led to the acute shortage of residential accommo-

<sup>7</sup>Ministry of Home Affairs, "Migration in India", *Census of India*, 1971, India, Paper No. 2 of 1979, New Delhi, 1980, pp. 77-80.

<sup>8</sup>Narain Vatsala and K.B. Gotpagar, "Bombay and Its In-migration" in *Dynamics of Population and Family Welfare*, (Eds.), by K. Srinivasan, and S. Mukherjee, Himalaya Publishing House, Bombay, 1983, pp. 316-40.

dation, especially for the low income group people of the society and consequently to the mushroom growth of slums. The UN estimates that in the Third World cities, authorised construction annually falls between 4 to 5 million housing units behind demand, even though at least 800 million people built dwellings in smaller settlements and rural villages.<sup>9</sup>

In Indian cities, the housing crisis has acquired an explosive character. It needs to be realised that the land in the cities is used for purposes other than residential use. For example, of the total land, only 20.3, 32.5, 33.7 and 35.7 per cent is used for residential purpose in Delhi, Kanpur, Bombay and Ahmedabad<sup>10</sup> as against the desirable per cent of 40 for cities.<sup>11</sup> The housing shortage in urban areas in India which was 2.9 million dwelling units in 1971, has been increased to 5.0 million units in 1981, to 5.5 million in 1983 and it is estimated that the shortage may go up to 6.9 million units by 1991.<sup>12</sup> Further, it is estimated that for Delhi, the current estimate is of a shortage of 3 lakh dwelling units and a requirement of 1.62 millions over the next two decades.<sup>13</sup> In Bombay, the demand works out to be about 60,000 units per year, while the supply from private and public sectors is 20,000 units per year. The costs are set so forbidding that only 20 per cent of the population can afford to take advantage of such housing units.<sup>14</sup> Further, nearly half of the people in Madras have a housing stock that is so degraded as unfit for human habitation. Calcutta deserves no comment other than that it is unending purgatory so far shelter goes. And even smaller cities and towns such as Kanpur, Hyderabad, Ahmedabad, Pune, Jaipur, Aurangabad, Salem were degraded into vast slums.<sup>15</sup>

The census data indicate that the quality of shelter per capita has declined over the last 30 years as measured by indices of crowding.

<sup>9</sup>Stokes Bruce, "Global Housing Prospects : The Resource Constraints", World Watch Institute, Washington, D.C., 1983, cited in *People*, Vol 10, No. 2, 1983, p. 32.

<sup>10</sup>R.B. Mandal, "The Development Conurbations in India", in *Urbanisation and Regional Development* (eds., R.B. Mandal and G. Peters), Concept Publishing Company, New Delhi, 1982, p. 264.

<sup>11</sup>K.S. Rame Gowda, *Urban and Regional Planning*, University of Mysore, Mysore, 1972, p. 88.

<sup>12</sup>National Buildings Organisation and UN Regional Housing Centre, ESCAP, *Hand Book of Housing Statistics, 1982-83*, New Delhi, 1984, pp. 21-22.

<sup>13</sup>V. Nath, "Urbanisation in India: Reviews and Prospects", *Economic and Political Weekly*, Vol XXI, No. 8, 1986, pp. 339-352.

<sup>14</sup>P.R. Ramamurthy, "Shelter for the Growing Urban Poor", *Yojana*, Vol. 30, No. 6, New Delhi, 1986, pp. 28-30.

<sup>15</sup>Praful Bidwai, "The Urban Shelter Problems", *The Times of India*, Bombay, July 19, 1985.

Between 1961 and 1971 average number of persons per room increased from about 2.6 to 2.8. Table 2 clearly reveals the existing situation in some selected cities with regard to the number of persons per room.

TABLE 2 PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY NUMBER OF DWELLING UNITS IN SELECTED CITIES (1971)

<i>City</i>	<i>One room unit</i>	<i>Two or more rooms</i>	<i>All sizes</i>
1. Calcutta	67.6 (4.46)	32.4 (2.53)	100.0 (3.40)
2. Greater Bombay	77.4 (5.26)	22.6 (2.00)	100.0 (3.99)
3. Delhi	57.1 (4.50)	42.9 (2.10)	100.0 (3.04)
4. Madras	53.6 (5.23)	46.4 (2.10)	100.0 (3.01)
5. Hyderabad	44.9 (4.58)	55.1 (2.22)	100.0 (2.81)
6. Bangalore	45.4 (4.77)	54.6 (1.95)	100.0 (2.58)
7. Ahmedabad	57.5 (5.14)	42.5 (1.95)	100.0 (3.24)
8. Kanpur	59.6 (4.14)	40.4 (2.10)	100.0 (2.94)
9. Pune	65.1 (4.87)	34.9 (1.86)	100.0 (3.21)

The figures in parentheses indicate the number of persons per room.

SOURCE: National Buildings Organisation and UN Regional Housing Centre ESCAP, *Hand Book of Housing Statistics, 1982-83*, New Delhi, 1984, pp. 99-100.

It is observed that more than half of the urban population in general occupy single rooms. The number of persons per household living in one room dwellings is worked out to be 4.4. Further, Bombay is the most congested city, where 77.4 per cent of the families live in one room tenements, with 5.26 persons, followed by Calcutta with 67.6 per cent with 4.46 persons. Pune, Kanpur, Ahmedabad, Delhi follow the order. In large cities, living in rented houses is a rule and owned houses is exception. The percentage of rented houses is the highest in Bombay (85.55%), followed by Kanpur (83.28%).<sup>16</sup> In addition to this, malpractices such as 'payment of pugree', deposits, etc., further highlighting the problem of housing in these cities. The

<sup>16</sup>Editorial, *Hindustan Times*, New Delhi, June 24, 1976: cited in "Urban Development in an Industrial City : A Case of Kanpur Metropolis" by R.K. Awasthi, *Nagarlok*, Vol. 16, No. 2, 1984, p. 20.

slow rate of replacement of old and dilapidated buildings on account of the neglected attitudes towards the upkeep of the building and paucity of funds have worsened the situation further in some of the cities. The situation of old and dilapidated buildings in Bombay clearly highlights the worsening situation. It is estimated that there are 19,642 old and dilapidated buildings in the island city. Of them 16,502 were constructed prior to September 1, 1940, most of which are between 80-100 years old. Eighty per cent of these buildings needed immediate attention, either in the form of heavy structural repairs or a complete overhaul in the form of demolishing and reconstruction.<sup>17</sup>

All the above statistics on housing reveals the seriousness arising out of the housing shortages in urban India. Before housing conditions decline even further, all the planners, administrators and policy makers concerned with the housing schemes have to evolve different alternative approaches to solve the housing problem, which may be more realistic and affordable for majority of the urban population. Further, there is a need to change existing unrealistic norms to the provision of facilities and conditions that enable majority of the urban dwellers to get the maximum quality of shelter according to their needs and desires. Since industrialisation is an important factor for housing shortages, providing shelter to the industrial workers should be stressed as a pre-requisite for issuing licences for setting up new industries in urban areas.

#### GROWTH OF SLUMS

Areas which are seen to be overcrowded, dilapidated, faultily laid out and lacking in essential services are generally termed as 'slums'. Slums are the physical and social expression of inequalities in the distribution of the beneficiaries of economic growth, as well as the structure, performance and spatial patterning of the urban economy. Industrialisation and the consequent migration of rural masses, absence of adequate housing facilities, poor wages, high cost of land and building material, population explosion, poverty and unemployment and slum mentalities are the major causes for the growth of the slums. Rural migrants, who are economically weak in general cannot afford to pay high rents in cities and they are compelled to live in chaotically occupied, unsystematically developed and generally neglected areas which are over-populated by persons and overcrowded with ill repairs and neglected structures.

<sup>17</sup>P.K. Muttagi, "A Socio-Economic Study of the Households Living in the Buildings of the Bombay Housing and Area Development Board" (Mimeo), TISS, Bombay, 1983.

In India, the slum population has been growing at an alarming rate. It was estimated that nearly 46.2 million in urban areas are residing in slums in 1980. Using the present trend as a basis, it is estimated that by the year 2000, more than 66 per cent of the region's urban population will be living in slums and squatter settlements.<sup>18</sup> A glance at Table 3 reveals the major share of the slum population in selected cities of our country.

TABLE 3 SLUM POPULATION IN SELECTED CITIES, 1981

(Population in '000)

<i>City</i>	<i>Urban population</i>	<i>Slum population estimated</i>	<i>Percentage</i>
1. Calcutta	9166	3240	35.35
2. Greater Bombay	8277	3151	38.30
3. Delhi	5714	1725	30.19
4. Madras	4277	1363	31.87
5. Bangalore	2914	292	10.02
6. Hyderabad	2528	538	21.28
7. Ahmedabad	2515	658	26.16
8. Kanpur	1688	681	40.34
9. Pune	1685	298	17.69
10. Nagpur	1298	440	33.90
11. Lucknow	1007	391	38.83
12. Jaipur	1005	157	15.62

SOURCE: I. Chaudhari, "Land and the International Year of Shelter for the Homeless", *Nagarlok*, Vol. XVI, No. 4, 1984, p. 55.

It is observed that around one-third of the population in cities like Kanpur, Bombay, Calcutta, Nagpur, Madras and Delhi are residing in slums. Dharavi slum in Bombay is the Asia's biggest slum, with an area of about 432 acres of land, it shelters nearly 3.5 lakhs of people in 75,000 huts.<sup>19</sup> With the increase in industrialisation and push factors operating for rural-urban migration, the growth of slums will continue to increase in urban areas. Besides the shelter crisis, the other implications that arise due to the growth of slums are: increasing congestion, inadequate water supply, sewage and other essential services, facilities for improving and treating health problems, increase in crime, delinquency and riots, lack of educational, recreational and

<sup>18</sup>Economic and Social Commission for Asia and the Pacific, "Urbanisation in Asia and the Pacific", *Asian-Pacific Population Programme News*, Vol. 14, No. 2, Bangkok, 1985, p. 3.

<sup>19</sup>K.S. Baroi, "Dharavi Slum of Bombay—Whether Sign of Growth or Decay of a City : A Case Study of High Density Slum Upgradation", *The Bombay Civic Journal*, Vol. 32, No. 3, 1985, pp. 4-7.

other facilities for children, etc. The data on the availability of essential facilities in slum areas of Class I cities show that more than 90 per cent of them do not have separate latrine facilities, while a majority of people do not have access to protected water supply. About 77 per cent of slums areas do not have underground sewage system, while 57 per cent slum areas are water logged during the rainy season. Further, only 13 per cent have some kind of kutch approach roads and 20 per cent of slums are not yet electrified.<sup>20</sup>

Clearance of slums is a national problem. Analysing the situation of Ahmedabad slums, Kirtee Shah has rightly pointed out that a three tier strategy is needed to tackle the problems of slum dwellers in urban areas—a preventive strategy to slow down the growth, a curative strategy to improve conditions in the existing slum settlements and a futuristic strategy to plan and provide for the inevitable future growth.<sup>21</sup>

Improvement of the environmental situation, educational standards, planned housing and consciousness of health and improving their socio-economic status in general are very important to eradicate the slums. In addition to these, the new programmes which are being initiated from time to time to improve the slum situation like: confirming the tenure of ownership, provision of sites and services, granting of home improvement loans, provision of basic civic amenities, etc., are to be implemented more rigorously and effectively within a specific time schedule, which ultimately helps in reducing further deterioration of slums.

#### DETERIORATION OF CIVIC AMENITIES

Due to rapid growth of urbanisation not in a systematic order, the quality of life has been perceptably declining besides creating innumerable crisis of management and provision of essential services. The unprecedented growth of slums in these cities has led to a sharp deterioration of basic civic amenities like water supply, sanitation, etc. Majority of the under-developed countries are not able to provide these essential civic facilities to the people mainly due to the lack of financial and other resources available to them.

Households in urban areas, especially in slums, do not have sufficient protected water supply. UN estimates that in the third world cities, 1.3 billion people do not have clean water supply.<sup>22</sup> It is estimated that

<sup>20</sup>National Buildings Organisation, *op. cit.*, p. 32.

<sup>21</sup>Kirtee Shah, "Ahmedabad Slums: Redefining Strategies for Action" in *Urban Growth and Urban Planning—Political Context and People's Priorities*, (ed.), Alfred de Souza, New Delhi, 1983, pp. 78-97.

<sup>22</sup>Stockes Bruce, 1983, *op. cit.*

only less than 1 per cent of urban areas in India have filtered water supply.<sup>23</sup> The per capita availability of water continues to be pathetically low in metropolitan cities. For example, the daily per capita water supply in Calcutta, Bombay, Delhi and Madras is 140, 130, 180 and 80 litres. Further those who have storage facilities have availability of 100 gallons per person per day, whereas others living in slums can hardly claim 5 gallons per person per day.<sup>24</sup> The same situation is found in the case of sewage disposal system. The UN estimates that in the third world cities about 1.8 billion people do not have access to sewage facilities.<sup>25</sup> Further, it has been estimated that only about 38 per cent of urban population in India has a sewage system.<sup>26</sup> Only 56 per cent of metropolitan cities are covered with sewerages; 69 per cent in Class I and 47 per cent in Class II cities still do not have any sewerage facilities.<sup>27</sup> The drainage facilities are also inadequate to cope with the increased strains on the system. In cities, the open drains are serving as depositors for road sweeping and also human wastes. Due to lack of lavatory facilities, many slum dwellers are forced to defecate in the open areas. Almost 90 per cent of the towns below 5 lakh population have no sullage collection and disposal system. These urban areas due to the insanitary conditions are becoming breeding fields for mosquitoes and various other water borne diseases and have the highest incidence rate of infectious diseases like Cholera, Typhoid, Dysentery, etc., caused by water pollution.<sup>28</sup> It has been estimated in Calcutta that 77 per cent of all families share lavatories with other families and more than 10 per cent have no facilities at all.<sup>29</sup> About two-fifth's of Delhi's population live in homes without toilets and must defecate in open.<sup>30</sup>

Another major civic problem in cities is the disposal of solid wastes. These are perhaps the most visible form of pollutants. Of all forms of

<sup>23</sup>M.S. Gore, "Social Development and a Strategy for Urbanisation", *Economic and Political Weekly*, January 25, 1975, p. 113.

<sup>24</sup>Rashmi Mayur, "Dimensions of Urban Pollution", in *Urban Perspectives—2001*, (ed.), C.S. Chandrasekhara, and Deva Raj, National Institute of Urban Affairs, New Delhi, 1978, pp. 162-3.

<sup>25</sup>Stockes Bruce, 1983, *op. cit.*

<sup>26</sup>Mahesh Chand and V.K. Puri, *Regional Planning in India*, Allied Publishers, New Delhi, 1983, p. 250.

<sup>27</sup>C.D. Singh, "Understanding Environmental Protection", *Lokrajya*, Vol. 42, No. 4, Bombay, 1986, p. 3.

<sup>28</sup>J.M. Dave, "Some Considerations of Environmental issues of Urban Growth", in *Urban Perspective—2001*, edited by C.S. Chandrasekharan and Deva Raj, National Institute of Urban Affairs, New Delhi, 1978, p. 179.

<sup>29</sup>T.B. Lahiri, "Calcutta: A Million City With Million Problems", in R.P. Mishra, (ed.), 1978, pp. 43-72, cited in *Cities, Poverty and Development in Third World*, by Alan Gilbert and Gugler, Oxford University Press, 1982.

<sup>30</sup>Praful Bidwai, 1985, *op. cit.*

wastes, solid wastes pose the most difficult technological problem due to their widely varying constituents, size and physical properties. A survey conducted by NEERI, Nagpur<sup>31</sup> shows that the total refuse generated in 1974 Class I cities alone is 32,450 tonnes per day, which is expected to reach more than 60,000 tonnes per day in the year 1991. The largest seven of the 12 metropolitan cities, namely, Calcutta, Bombay, Delhi, Madras, Bangalore, Hyderabad and Ahmedabad alone contribute 18,000 tonnes refuse per day, i.e. 2570 tonnes per day per city on an average. Further, 25 cities with population between 5-20 lakh generate 2370 tonnes per day averaging 295 tonnes per day. In Bombay city nearly 330 million litres of untreated domestic sewage and 21 million industrial affluents are released in Mahim Creek.<sup>32</sup> Although per capita waste generated by 700 million Indian is much less than over one tonne waste produced per person per year by 200 million in USA, the various aspects of wastes are managed well in the USA. As the urban quality of life is directly associated with provision of basic civic amenities, it is important to see that the existing inadequate provision of civic amenities will not deteriorate further in urban centres. A survey showed that above 50 per cent of the people living in affluent areas throw garbage out of their windows, which clearly reveals that the problem of cleanliness is not confined to the poor alone, but is also prevalent among the rich.<sup>33</sup>

Further, in cities as a dual problem exists—to educate the regular inhabitants of the cities into problems of urban hygiene and secondly to enable the newcomers to adjust themselves to the requirements of urban living, an effective programme on health education may be evolved to improve the urban hygiene in total. It is heartening to note that the Seventh Plan document<sup>34</sup> has stressed the importance of providing better civic amenities like drinking water, disposal of solid wastes and sewage in small and medium towns, besides continuing the provision of adequate facilities in large cities.

#### ENVIRONMENTAL POLLUTION

Pollution has been described as "the introduction by man of waste

<sup>31</sup>"Management of Urban Solid Wastes", *Bombay Civic Journal*, Vol. 32, No. 7, Bombay, 1985, pp. 8-12.

<sup>32</sup>C.D. Oommechen, "Pollution—A Multi-faceted Problem", *Lokrajya*, Vol. 40, No. 22, Bombay, 1985, p. 20.

<sup>33</sup>"Ecology, Environment and Man-Society for Clean Cities", Bombay, *Proceedings*, conclusions and recommendations at the seminar held at Raj Bhavan, Bombay, January 14-16, 1971.

<sup>34</sup>Planning Commission, *Seventh Five Year Plan, 1985-90*, Vol. II, New Delhi, 1985, pp. 303-4.

water or surplus energy into environment directly or indirectly causing damage to persons other than himself, his household, those in his employment or those with whom he has a direct trading relationship".<sup>35</sup> Pollution may arise at any stage in the economic system, in the extraction of raw materials, in the generation of energy, in the production, distribution, or consumption of goods. Further, urbanisation and industrialisation have also created pollution problems. The growing problem of pollution due to the rapid growth of industrialisation and such other man made processes is clearly visible from Table 4.

TABLE 4 SOME INDICATORS OF RAPID GROWTH OF MAN-MADE PROCESSES, 1951, 1961, 1971, INDIA

Year	<i>India's total population</i>	<i>India's total urban population</i>	<i>Industrial development</i>	<i>Vehicular usage</i>
1951	100	100	100	100
1961	122	126	188	257
1971	152	175	320	541

SOURCE : G.S. Sastry, "Metropolitan Cities Environment—India", *Nagarlok*, Vol. XVII, No. 3, July-September, 1985, p. 4.

Three types of pollutions—air, water, noise—are of major concern for the people especially in urban areas. 'Damage' occasioned by pollution can take many forms: noise from air craft may reduce property value; emission of smoke and sulphur dioxide from coal fixed power stations, may impair public health; effluent from sewage treatment plants may adversely affect fish population. The geographical range of damage may be global, as with the pollution of the atmosphere or occurs, as with noise, it may be no more than local in the effect.<sup>36</sup> Pollution in water, air, land is mutually inseparable as all from increasing industrialisation and urbanisation.

Pollution in the air must come down to earth with rain or precipitation on even dry deposition and along with vegetation, water and land as its major sinks. The variety, intensity, spread and complexity of impact of each pollutant has direct and indirect, independent and conjoint, short and long term reversible and irreversible effects on the life of the people.

<sup>35</sup>N. Lee, and J.A. Luker, "An Introduction to the Economics of Pollution", *Economics*, Summer Issue, 1971, pp. 19-32.

<sup>36</sup>Christopher Millar and Christopher Wood, *Planning and Pollution—An Examination of the Role of Land Use Planning in the Protection of Environmental Quality*, Clarendon Press, Oxford, 1983.

In India the emerging environmental problems are mainly attributed to a greater concentration of population and industrial activities in metropolitan cities. The leakage of gas from Union Carbide Factory at Bhopal in December 1984, resulted in more than 2000 deaths and made several others sick; chlorine gas leaked from a factory at Chembur area of Bombay on August 30, 1985, ended with the death of a person and hospitalised nearly 200 people. With regard to the state of environmental health of India, Khoshop<sup>37</sup> warned that "every third person who dies in childhood below the age of 5 years; a victim of vicious combination of poverty, malnutrition, insanitary environment and unclean drinking water with water pipes employ most of the time and sewage seeping into them, hepatites is increasing by leaps; increasing use of cigarettes and beedies and greater use of chemicals because of industrialisation already results in half a million deaths every year. By the end of the century, India could be an inevitable country with so called diseases of poverty and of affluence co-existing each other". An air quality measurement study conducted by NEERI (1982)<sup>38</sup> in ten cities of India found that in 4 metropolitan cities of Calcutta, Bombay, Delhi and Madras, air pollution is showing increasing trend. A comparative analysis of data for the cities in 1978-81 points out that Calcutta is the only metropolitan city where air quality has progressively deteriorated since 1978. The study also revealed that the air quality in Calcutta in terms of standards suggested by NEERI, exceeds tolerance in 4 of 5 parameters. The study conducted by Prakash Rao (1983)<sup>39</sup> revealed that : (1) the metropolitan system is gradually tending towards the poor air quality, and (2) Calcutta and Jaipur are the highest and least polluted metropolitan cities of India respectively. The second and subsequent levels are occupied by Bombay, Kanpur, Hyderabad, Delhi, Ahmedabad, Madras respectively. Bladen and Karam<sup>40</sup> described the extremely polluted environment in which the great majority of the residents of Calcutta-Hooghly side area lived and conducted that fairly accurate perception of the nature of pollution and its causes and effects among the sample of residents surveyed was

<sup>37</sup>T.N. Khoshoo, "Environmental Concerns and Strategies", *India Environmental Society*, New Delhi, 1984.

<sup>38</sup>National Environmental Engineering Research Institute : "Air Quality Index of Selected Indian Cities", Nagpur, 1981.

<sup>39</sup>V.L.S. Prakash Rao, "Urbanisation in India : Spatial Dimensions" cited in "Metropolitan Cities Environment : India" by G.S. Sastry, *Nagarlok*, Vol. XVII, No. 3, 1985.

<sup>40</sup>A. Bladen William, and P.P. Karam, "Environmental Pollution and its Perception in Calcutta—Hooghly Side Area", cited in "Urbanisation in India : Reviews and Prospects" by V. Nath, *Economic and Political Weekly*, Vol. XXI, No. 8, 1986, pp. 339-352.

accompanied by a feeling of helplessness and of their own inability to do anything to improve the situation. Another study conducted by BMC, Bombay with help of NEERI<sup>41</sup> indicates that today about 1760 tonnes of pollutants are liberated into the city's atmosphere. Out of these, 60 per cent are contributed by automobiles alone. The study covered a large number of people over a period of 4 years and found that the effects on people is disastrous. A person in Delhi contains more DDT in his blood stream than in most parts of the world and the dust particles in Delhi's atmosphere are the highest as compared to any other city in India.<sup>42</sup> According to Haldar<sup>43</sup> "presently around 6000 factories, 0.1 million small scale industries, 29,000 furnaces, over 1 million open air domestic cooking ovens, about 0.3 million automobiles and huge amount of obsolete plants and equipments, consuming wrong fuel pour poisonous solid and gaseous pollutants in the climate of Calcutta and Howrah". In the winter months the smoke is a major menace in Bombay. Calcutta, Durgapur, Baroda, Ahmedabad and Poona. In all these cities, carbon monoxide and sulphur monoxide content has been significantly increasing in recent years. According to the trend extrapolation<sup>44</sup> the air pollution level in the metropolitan cities in India will be three times more than what it is today, unless drastic actions are taken immediately.

The pollution of water sources has brought about the degradation of water quality by introducing oil, grease, waste and other organism causing diseases like typhoid, dysentery, jaundice, etc. Besides the specific ones associated with water pollution, a great deal of it is due to industrial wastes. The major industrial offenders are : petroleum, steel, organic chemicals and paper industries. Another major contribution to water pollution is sewage from cities. Development of sewage and drainage facilities has been miserable in most of the urban areas. Out of 3000 cities and towns, hardly 200 have some sort of sewage system. More than 50 per cent of population in urban areas do not have this basic amenity.<sup>45</sup>

Noise pollution affects not only the mental and physical health and well being of citizens but also has broad socio-economic implications. Noise that exceeds tolerance limit affects man, plants, insects, birds and animals. It is estimated that level of noise pollution doubles in every 10 years in pace with industrialisation and modernisation, particularly in cities like Bombay, Calcutta, Delhi and Madras. The study conduct-

<sup>41</sup>Syed Ahmed, "Let's Save Our Cities", *Lokrajya*, Vol. 42, No. 4, 1986, p. 2.

<sup>42</sup>Rashmi Mayur, *op. cit.*, p. 165,

<sup>43</sup>A. Halder, "Pollution Rules Over Calcutta", Omniprint, Calcutta.

<sup>44</sup>Rashmi Mayur, *op. cit.*, p. 166.

<sup>45</sup>*Ibid.*

ed by NPL on traffic noise in major cities in India revealed that the street noise during day in cities like Bombay and Delhi was seldom below 60dB. In a recent survey it was observed that Bombay is the noisiest city in the country. Its average day and night noise level was 75dB—the highest being 105 dB near the airport.<sup>46</sup> Another study conducted by Indian Institute of Public Opinion, New Delhi,<sup>47</sup> it was found that 86 per cent of respondents in Delhi were of the opinion that incidence of noise pollution was so high that it affected their quality of life. Further, nearly two-thirds of them felt disturbed on account of noise. Road traffic and loud speakers are considered to be the most disturbing. Similarly, another study on "Social Attitudes Towards Noise Pollution" in Delhi<sup>48</sup> found that main sources of noise pollution are traffic (33.0%), children (32.0%), public functions (13%), and industrial equipment or machines (8.0%). Further, it was found that noise pollution affected their sleep or rest (82.0%), studies or reading (33.0%) and recuperation (63.0%), followed by hearing ability (48.0%), mental peace (39.0%), conversation (35.0%), blood pressure (31.0%), meditation or prayers (26.0%), TV or radio listening (22.0%), and routine work (21.0%).

To reduce the increasing pollution problems in cities, a few effective measures have to be adopted. A deliberate and rational location policy has to be adopted not merely to develop backward regions, but also to reduce pollution hazards. In this regard, it may be stressed that the pollution generating industries should be located in areas where pollution levels are low. They should locate in areas where water, soil and air conditions are relatively free of pollution. Further, environmental goals should be integrated with local, regional, national and physical planning. Similarly, environmental criteria should also be established for various sectors like transport, health, malnutrition, water supply, sanitation, soil conservation, social gatherings, rural-urban interaction patterns, etc. Above all, the urban population have to be well educated on the sources, contents, effects, consequences and solutions to combat the pollution problems.

#### TRANSPORTATION PROBLEMS

The city transport is supposed to provide the link between residence, employment and to various amenities and also provide link among consumers and producers in urban trade and commerce. Traffic and

<sup>46</sup>Rashmi Mayur, *op. cit.*, p. 168.

<sup>47</sup>Indian Institute of Public Opinion, "A Report on a Pilot Survey of Social Attitudes Towards Noise Pollution in Delhi", New Delhi, 1984 (Mimeo), pp. i-viii.

<sup>48</sup>B.R. Patil, and Saveera, *A Study of Social Attitudes Towards Noise Pollution in Delhi*, Council for Social Development, New Delhi, 1984 (mimeo), pp. 66-80.

transportation problems which are assuming an alarming proportion in metropolitan cities of industrially advanced countries are being experienced in Indian cities too. Due to increased congestion and consequent delays in mobility, the traffic is affected and thus cities are becoming liability than an asset. The lack of adequate and efficient transport system combined with the rapid urbanisation and motorisation has created an urban environment in which "each city sits like a spider in the midst of its transport web".<sup>49</sup>

The rapid increase in urban population has been accompanied by a large increase in the number of vehicles. The rate of increase of motor vehicles in most of the cities is about 20 per cent per annum. In Delhi the number of motor vehicles registered increased from 35,232 in 1960 to 3,38,817 in 1975 sharing a percentage annual increase of 57.4 per cent.<sup>50</sup> In Bombay, while the population has grown over 200 per cent during the last three decades, the motor vehicles like taxis, auto rickshaws, etc., have risen over 1000 per cent.<sup>51</sup> In 1951 there were 30.980 vehicles in Bombay. Today the number has gone up to four lakh. Commuting times in cities is generally very high. For example, in Bombay, 2-3 hours travel is very common. In Bombay, the vehicular density has been estimated to be very high. Further, it is found that it accounts for 20 per cent cars and taxis registered in India.<sup>52</sup> The phenomenal increase in motor vehicles has resulted in much heavier traffic on urban roads. The studies conducted in important roads in urban cities reveals that the traffic considerably exceeds road capacity, so that, the deficiencies during the peak periods vary from 50 to as much as 200 per cent.

Due to traffic congestions, accident rates in urban areas are increasing at an alarming rate. It is noted that on an average for every 1000 vehicles in Bombay, there are 76 accidents in a year: Madras and Calcutta have 49,48 and Delhi has 8. The yearly accident rate is 77,90,137 and 281 per lakh population in Delhi, Calcutta, Madras and Bombay respectively.<sup>53</sup> A rough estimate reveals that in Bombay city alone between 40-50 fatal accidents and 400-500 injuries occurs every month.

Some of the effective measures to be considered for reducing

<sup>49</sup>Lewis Mumford, "Culture of the Cities" p. 323, cited in "Challenges of Urban Transportation Problems" in *Urban Perspectives—2001*, (eds ) C.S. Chandrasekhara, and Deva Raj, National Institute of Urban Affairs, New Delhi, 1978, p. 186.

<sup>50</sup>N.S. Sreenivas, "Challenges of Urban Transportation Problems", in *Urban Perspectives-2001*, edited by C.S. Chandrasekhara and Deva Raj, National Institute of Urban Affairs, New Delhi, 1978, p. 186-203.

<sup>51</sup>G.B. Mitbandar, *Bus Transport System in Bombay*, a lecture delivered at IIPA, Maharashtra Branch, Mantralaya, Bombay on February 24, 1986.

<sup>52</sup>L.R. Vagelis, "Unique Urban Problems and Prospects in South Asian Countries", Paper presented in Regional Symposium on South Asian Urban Experience, held at New Delhi, February 20-22, 1986.

<sup>53</sup>B D'Souza, *Decline and Decay*, Bombay, July 7-21, 1986, p 27-28.

transport problems like mixing work place and land for residential purposes, development of feeder roads to connect housing colonies, widening the roads by removing the illegal hutments on the roadsides and creation of separate roadways for slow and fast moving vehicles separately. Above all, there should be a proper integration of different modes of transport.

### DRUG ADDICTION

According to WHO expert committee, drink habit or drug addiction has been defined as "A state of periodic or chronic intoxication, detrimental to the individual and to the society, produced by repeated consumption of a drink, either natural or synthetic".<sup>54</sup> The characteristic of such addiction is that the people once accustomed will resort to them in utter disregard of the adverse effects produced on them, either mentally, morally or physically.

Drug addiction among youth, especially among students in schools and colleges, is becoming a serious problem now-a-days in our country, more specifically in urban areas. A recent estimate shows that there are nearly 1 lakh drug addicts each in Bombay and Delhi<sup>55</sup> and 60,000 of them in Madras.<sup>56</sup> The intensity of the drug addiction in urban areas is clearly visible from Table 5.

TABLE 5 PERCENTAGE PREVALENCE RATE OF DIFFERENT DRUGS AT SELECTED CITIES, 1976

Drug	Bombay	Madras	Delhi	Jaipur	Hyderabad	Varanasi
Alcohol	15.1	9.5	12.2	9.8	9.0	10.4
Tobacco	8.1	15.2	10.5	9.2	6.3	15.1
Pain killers	12.6	1.2	20.9	2.3	5.9	13.8
Tranquillers	1.0	1.0	2.9	1.2	1.6	2.5
Amphetamines	0.2	0.4	0.3	0.5	0.6	1.3
Barbiturates	0.6	1.4	0.6	0.4	0.4	1.8
Cannabis	0.4	1.5	1.3	0.4	0.7	10.9
LSD	0.07	0.4	0.2	0.2	0.1	0.9
Cocaine	0.05	—	0.03	0.1	0.2	0.06
Pathedine	0.05	0.08	0.2	0.2	0.1	0.9
Opium	0.4	0.03	0.5	0.2	0.2	0.9
TOTAL (N)	4151	3580	3991	4081	1097	3852

SOURCE : Government of India, *Drug Abuse in India*, Ministry of Health and Family Welfare, New Delhi, 1977.

<sup>54</sup>C.B. Memoria, *Social Problems and Social Disorganisation in India*, Kitab Mahal, Allahabad, 1969.

<sup>55</sup>"One Lakh Drug Addicts in Bombay", *The Times of India*, August 9, 1986, Bombay, p. 1.

<sup>56</sup>Swati, *Illustrated Telugu Weekly*, Vol. 2, No. 49, Vijayawada, 1966, p. 22.

A study conducted among 1132 Calcutta University students showed that the prevalence rate of drug abuse was 37.4 per cent.<sup>57</sup> Another study among Delhi University students revealed that about 5 per cent of them were current drug users and 200 students were drug dependents.<sup>58</sup> Similarly, Mohan and Arora<sup>59</sup> through their study on Delhi University students revealed an overall prevalence rate of 50 per cent for drug abuse. According to study conducted by S. Chitnis (1974)<sup>60</sup> about 20 per cent Bombay University students used drugs: cannabis (17%), amphetamines (7.1%), barbiturates (5.4%), LSD (3.8%) Opium (2.5%) heroin and cocaine (1.4%) and morphine (0.6%). She found that the majority (80.3%) of the students covered by the study had never tried drugs. However, the number of those who have tried them (19.7%) matched the size of the percentage quoted for American colleges around 1967 and it may be argued that within the next 5 or 6 years the situation in Indian colleges may be approximate to the situation on the American College campus today. Another major study conducted among youth in Bombay,<sup>61</sup> it was found that majority of drug addicts were in the age group of 19-24 years. The occupational status of their fathers/guardians shows that majority of them were in better paid professions or in business. A negligible proportion of their parents was in clerical and other low paid jobs. The study stressed the need for conducting drug education programmes for youth. As youth are the growth points of a society and future parents, the campaign against drug addiction among them has to be initiated on a war footing. Simultaneously, drug trafficking has to be brought down by enforcing strict measures.

#### DETERIORATION OF PEACE AND SECURITY

Incidence of crime is significantly higher in the cities than in rural

<sup>57</sup>R.N. Banerjee, "Prevalence of Habit Forming Drugs and Smoking Among College Students—A Survey" cited in *Youth in India*, by S. Parasuraman, Indian Council of Social Welfare, Bombay, 1985, p. 30.

<sup>58</sup>Government of India, *Drug Abuse in India*, Ministry of Health and Family Welfare, New Delhi, 1977.

<sup>59</sup>D. Mohan and Arora, "A Prevalence of Drug Abuse in College Students—An Assessment of Drug Dependence in South-East Asia", cited in *Youth in India*, by S. Parasuraman, Indian Council of Social Welfare, Bombay, 1985, p. 30.

<sup>60</sup>Suma Chitnis (ed.), "Drugs on the College Campus", TISS, Series No. 32, Bombay, 1974, p. xi.

<sup>61</sup>P.K. Muttagi, "Drug Abuse Among College Students in Bombay", TISS, Bombay, 1984 (Mimeo).

areas.<sup>62</sup> Most political parties are urban biased and demonstrations, processions, etc., can be organised more easily in the large cities. Majority of the urban people who are employed or unemployed are engaged in a variety of marginal activities and live in conditions of extreme poverty, provide maximum scope for violent activities over any issue. According to Nath (1986) "Maintenance of peace and security will require political and administrative management of a very high order, which can ensure, moreover, (a) adequate access to the two most basic needs for food and water, (b) progressive improvement in access to other essential services and housing, and (c) progressive increase in opportunities for gainful employment. The tensions which find their outlets in the periodic outbreaks of violent disturbances can be kept within a manageable level and growth of the under-world linked activities can be curtailed only when these conditions are met."<sup>63</sup>

In addition to the urban problems discussed above, several other issues like unemployment, child labour, prostitution, social tensions, and social disturbances, industrial accidents, occupational health hazards, etc., are emerging in urban centres.

#### CONCLUSION

Thus, from the above indepth discussion of various dimensions of urban problems that are emerging in urban India, it may be rightly inferred that the costs created by our urban problems are outstripping the benefits we should receive from the proper functioning of our cities. Under the twin impacts of rising industrialisation and rapid urbanisation, effective strategies have to be formulated to tackle the problems on a time bound basis, so as to see that the quality of life in urban areas will not deteriorate further. Some of these measures may include:

1. as majority of the migrants move from rural to urban areas mostly for economic reasons, the foremost task should be to emphasize on the various aspects like setting up of new industries in less developed regions, diversification of occupational patterns of rural people from the existing traditional sectors, effective implementation of various programmes which are aimed at uplifting the rural poor and initiating the community development

<sup>62</sup>Ashok K. Dutt and G. Venugopal, "Spatial Patterns of Crime Among Indian Cities", *Geoforum*, London, Vol. XIV, No. 2, 1983, pp. 223-233, cited in "Urbanisation in India; Review and Prospects" by V. Nath, *Economic and Political Weekly*, Vol. XXI, No. 8, 1986, Bombay, pp. 339-352.

<sup>63</sup>V. Nath, *op. cit.*

- programmes to knit together, the rural and urban components of development;
2. to reduce further deteriorating conditions in large cities, the productive and labour oriented economy has to be created besides providing adequate infrastructure facilities in small and medium towns;
  3. to improve the conditions of slum dwellers and simultaneously to reduce their further growth, various slum upgradation programmes have to be effectively implemented, besides educating them to maintain their localities;
  4. for reducing the deteriorating environmental conditions in cities, industries which are the major sources of pollution have to be shifted to less populated, and less developed areas; and
  5. to improve the basic civic amenities, new managerial skills should be adopted, besides encouraging low cost technology and initiating the effective participation of the urban people. □

# *Levels and Trends of Urbanisation in India: A Comparative Study of Tamil Nadu*

S. IRUDAYA RAJAN

KEEPING IN view the interrelationship between urbanisation and socio-economic variables an attempt has been made to know the levels and trends in urbanisation in Tamil Nadu during the period 1961-81. Here the author also has made a faint attempt to suggest some of the policy implications for the imbalance in the urbanisation process.

The study of urbanisation and its growth play an important role in policy formulation and planning. It is realised that "urban growth and economic development are linked to one another and that urbanisation is one of the key dimensions in the modernisation process of the society"<sup>1</sup>.

Demographers observe that "all nations in the modern era, which have moved from a traditional agrarian based economic system to a largely industrial, urbanised base have also moved from a condition of high mortality and fertility to low mortality and fertility."<sup>2</sup>

Urbanisation is considered to be an important index of economic growth. In the economically advanced countries like United Kingdom, Canada, France, United States of America, Japan and USSR, the percentage of urban population vary between 50 to 80.

The rate of growth of urbanisation in developing countries is very high (4 per cent per annum) in recent years. "The urban population in the developing countries has increased from 275 million to 794 millions with an annual growth of 2.6 per cent during 1950-70. It is expected

<sup>1</sup>Ashish Bose, *India's Urbanisation 1901-2001*, 2nd Edn., Institute of Economic Growth, New Delhi.

<sup>2</sup>Ashish Bose, "Housing the Rich in Delhi", *Economic and Political Weekly*, June, 1967.

that during next 25 years, the urban population may increase over 2 billions.<sup>3</sup>

It has been estimated that urban population will constitute of the world population shortly after the turn of this century. At present, more than 40 per cent of the world population live in urban areas<sup>4</sup>. It can be mentioned here that the proportion of urban population to total population in India is worked out to be 23.73 per cent according to 1981 census.

### URBANISATION IN INDIA

Before we analyse the trends in Tamil Nadu, it is pertinent to study the level of urbanization in India and its major states. According to 1971 census (Table 1), Maharashtra ranks first with 31.2 per cent of urban population to the total population and Uttar Pradesh ranks last with 4.0 per cent. But in 1981, Orissa ranks with 11.8 per cent and Maharashtra maintains the same rank (35.0 per cent). Out of the fourteen major states only three states, namely, Maharashtra, Tamil Nadu, Gujarat are balancing their ranks in 1971 and 1981. Tamil Nadu has the same level of urbanization than throughout the period under consideration.

The combined urban population of just four states—Maharashtra, Uttar Pradesh, Tamil Nadu, West Bengal—comprise of almost half (48.2 per cent) of the total urban population in India. Maharashtra itself contains 22 million urban dwellers—14 per cent of the national total. The adjoining state of Gujarat is also relatively high urbanized (31 per cent) as is the southern state of Tamil Nadu (33 per cent). Of the remaining major states Karnataka, Punjab and West Bengal are above the average level of India's urbanization.

Rates of urban growth over 1971-81 have, as in the previous decade, generally been the highest in some of the minor states of India's north eastern promontory (see Table 1). This very high growth rate mostly reflects a small base of the urban population in this region and classification of new areas as 'urban'. However, in some cases such as Mizoram they may also reflect government attempts to concentrate the population in large villages as part of measures against insurgency.<sup>5</sup>

Table 1 also reveals that despite substantial increase in the national

<sup>3</sup>P.B. Desai, "Economy of Indian Cities", *The Journal of Public Administration*, Vol. XIV, No. 3, July-September 1968, p. 453.

<sup>4</sup>R.M. Salas, "Population and Urbanisation", *Asia-Pacific Population Journal*, Vol. I, No. 1, March 1986, pp. 5-23.

<sup>5</sup>B.N. Ganguli, *Gandhi's Social Philosophy*, Delhi, Vikas Publishing House, 1973, p.187.

TABLE 1 THE URBAN POPULATION IN INDIA AND ITS MAJOR STATES, ITS PROPORTION AND GROWTH RATE IN 1971 AND 1981

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	Average annual rate of urban population growth %	
									1971	1981
Maharashtra	21,967	31.2	1	35.0	1	14.06	2.18	3.42	3.35	
Tamil Nadu	15,928	30.3	2	33.0	2	10.20	1.59	3.27	2.45	
Gujarat	10,556	28.1	3	31.1	3	6.76	2.41	3.44	3.42	
West Bengal	14,433	24.8	4	26.5	6	9.24	2.07	2.50	2.75	
Karnataka	10,711	24.3	5	28.9	4	6.86	2.35	3.02	4.08	
Punjab	4,620	23.7	6	27.7	5	2.96	2.07	2.25	3.62	
Haryana	2,822	17.7	7	22.0	8	1.81	2.47	3.04	4.65	
Kerala	4,711	16.2	8	18.8	11	3.05	1.74	3.05	3.19	
Bihar	8,699	10.0	9	12.5	13	5.57	2.14	3.64	4.34	
Andhra Pradesh	12,458	9.3	10	23.3	7	7.98	2.05	2.92	3.94	
Orissa	3,105	8.4	11	11.8	14	1.99	1.80	5.09	5.21	
Rajasthan	7,140	7.6	12	20.9	9	4.57	2.80	3.25	4.52	
Madhya Pradesh	10,589	6.3	13	20.3	10	6.78	2.24	3.83	4.45	
Uttar Pradesh	19,973	4.0	14	18.0	12	12.79	2.27	2.68	4.78	
INDIA*	156,188	20.2	—	23.7	—	100.00	2.21	3.21	3.78	

Note : The Major states are arranged in order of their urban proportion in 1971.

\*Total for India includes urban areas in some states and small Union Territories not listed above.

SOURCE : P. Padmanabha, "Provisional Population Totals" Rural-Urban distribution paper 2 of 1981, Series I, New Delhi, Office of the Registrar General.

urban growth rate the more urbanized states of Maharashtra and Gujarat have experienced virtually the same urban growth rate over 1971-81 as during the previous decade, while the urban growth rate of Tamil Nadu population actually declined. Moreover, to some extent less developed states with lower urbanisation levels such as Uttar Pradesh, also have higher fertility and more rapidly growing population, whereas the reverse can generally be said of more developed states such as West Bengal, Maharashtra and Tamil Nadu.

### *Largest Cities in India*

The 20 largest cities—all larger than three quarter of a million—now account for 31.3 per cent of the entire urban population (Table 2). Out of 20 largest cities in India, Maharashtra and Tamil Nadu have three each. The latter accounts for just over a quarter of the urban population but their combined aggregate growth rate of 3.1 per cent per annum lies well below the national urban average. Therefore they account for less than a quarter (22.5 per cent) of the country's aggregate urban growth. Bombay, Madras, Hyderabad, Ahmedabad

TABLE 2 POPULATION AND GROWTH RATES OF THE 20 MAJOR CITIES OF INDIA 1961-71 AND 1971-81

<i>City</i>	<i>State</i>	<i>1981 Population</i>	<i>Average annual 1961-71</i>	<i>Growth rate (%) 1971-81</i>
Calcutta	West Bengal	9,165,650	2.04	2.65
Greater Bombay	Maharashtra	8,227,332	3.63	3.21
Delhi	Delhi	5,713,581	4.35	4.49
Madras	Tamil Nadu	4,276,635	4.89	2.99
Bangalore	Karnataka	2,913,537	3.21	5.66
Hyderabad	Andhra Pradesh	2,528,198	3.63	3.42
Ahmedabad	Gujarat	2,515,195	3.67	3.61
Kanpur	Uttar Pradesh	1,688,242	2.72	2.81
Pune	Maharashtra	1,685,300	3.61	3.95
Nagpur	Maharashtra	1,297,977	2.99	3.33
Lucknow	Uttar Pradesh	1,006,538	3.16	2.12
Jaipur	Rajasthan	1,004,669	4.39	4.56
Coimbatore	Tamil Nadu	917,155	4.96	2.20
Patna	Bihar	916,102	2.98	6.23
Surat	Gujarat	912,568	4.40	6.16
Madurai	Tamil Nadu	904,362	3.71	2.40
Indore	Madhya Pradesh	827,071	3.51	3.88
Varanasi	Uttar Pradesh	793,542	2.14	2.68
Agra	Uttar Pradesh	770,352	2.22	1.94
Jabalpur	Madhya Pradesh	757,726	3.77	3.48

SOURCE : Padmanabha, cited in Table No. 1.

and Lucknow failed to sustain their growth rate of the previous decades (Madras significantly so).

Delhi, Kanpur, Nagpur and Pune sustained unimportant increase. "Calcutta increased its growth rate perceptibly from 2.0 to 2.6 per cent per annum with 9 million people. It is a smaller city than Tokyo, Mexico, Sao Paulo and probably Shanghai among them."<sup>6</sup> Bangalore exhibited an exceptional increase in its decadal growth rate.

#### *Highest Urbanisation*

The level of urbanisation is greater in Maharashtra, Tamil Nadu, West Bengal and Andhra Pradesh because of the inclusion of entirely urban district, namely, that of Bombay, Madras, Calcutta and Hyderebad Municipal Corporations.<sup>7</sup> If we exclude the population of these districts from urban population, the degree of urbanization seems to be different.

The difference is presented in Table 3. The result reveals that Tamil Nadu became first followed by West Bengal and Maharashtra.

#### *Urbanisation in Tamil Nadu*

Tamil Nadu occupies seventh place in the size of population and second place in the composition of urban population in the country. According to 1981 census, the total population of Tamil Nadu is 48.29 million which constitute 7.06 per cent of the total population in the country. The decennial growth rate of population in Tamil Nadu during 1961-71 and 1971-81 has been worked out as 22.30 per cent and 17.23 per cent whereas the corresponding figures for the country as a whole are 21.33 per cent and 24.75 per cent respectively. The decadal increase in the urban population of Tamil Nadu during 1971-81 was 27.7 per cent as increase of 17.2 per cent in the total population of the state in the same period.

It can be seen that Tamil Nadu has the lowest overall growth rate of population and so also the lowest urban growth rate during the decade 1971-81. It is tempting to hypothesis that the slow growth rate of population must have contributed to a lower tempo of rural to urban migration and consequently to the lower urban growth. Migration of the Tamil Nadu labour to other states must have also contributed to the lower tempo of rural-urban migration within the state. Unless, however, a detailed analysis is made, no firm conclusion can be arrived at.

<sup>6</sup>M. Glawson, "Modernisation of Agriculture and Urbanisation", paper presented to the Rohovot Conference on Urbanisation and Development in Developing Countries, 16-24 August, 1971, p. 6.

<sup>7</sup>M. Lipton, "Urban Bias : Why Rural People Stay Poor", *People*, Vol. 3, No. 2, 1976, p. 25.

TABLE 3 PROPORTION OF URBAN POPULATION FOR FOUR STATES WITH AND WITHOUT THEIR  
ENTIRELY URBAN DISTRICT

States	Total Population (in lakh)	Urban Population (in lakh)	Urban Popn. as per cent of Total Popn.	Rank	Cities located in the State	Popn. (in lakh)	State popn. excluding their city	Urban popn. excluding their city of total popn.	Urban popn. as per cent of total popn.	Rank
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Maharashtra	504.12	157.11	31.17	1	Bombay	82.27	421.85	74.84	17.74	3
Tamil Nadu	411.99	124.65	30.26	2	Madras	32.66	379.33	91.99	24.25	1
West Bengal	443.12	109.67	24.75	3	Calcutta	32.92	410.20	76.75	18.71	2
Andhra Pradesh	455.02	84.03	19.71	4	Hyderabad	22.41	432.62	61.62	14.24	4

Calculated by the Author.

One could argue that industrialisation of Tamil Nadu has not been rapid enough during 1971-81 to generate a high tempo of urbanization or it is true that urbanization in Tamil Nadu has been more dispersed and 'orderly'?<sup>8</sup> We find it difficult to explain the sharp fall in growth rate of a number of cities in Tamil Nadu.

The proportion of urban population to the total population constitutes about 33.0 per cent and the remaining population is rural in the state by 1981. However, the proportion of rural to total population declined in the state from 82.71 per cent to 67.0 per cent during the three decades (1951 to 1981).

According to the provisional results of 1981 census, the urban dwellers of Tamil Nadu state was 15.9 millions which accounts for 33 per cent. Every third person in Tamil Nadu is an urban dweller. In 1971 the state's urban population was 12.5 million which comprises of 30.3 per cent.

#### MEASURES OF URBANISATION

Ratio of urban-rural population, Gini concentration ratio are presented in Table 4. The ratio of urban-rural population during

TABLE 4 RATIO OF URBAN-RURAL POPULATION AND CONCENTRATION RATIO FOR INDIA, MAHARASHTRA AND TAMIL NADU (1971 AND 1981)

	<i>Urban popula- tion (in lakh)</i>	<i>Rural popula- tion (in lakh)</i>	<i>Ratio of urban- rural popula- tion<sup>a</sup></i>	<i>Concentration Ratio<sup>b</sup></i>
India	{ 1971 1069.67 1981 1561.89	4219.51 5019.52	0.25 0.31	— 0.69
Tamil Nadu	{ 1971 124.65 1981 159.28	287.34 323.69	0.43 0.49	— 0.67
Maharashtra	{ 1971 157.11 1981 219.67	347.01 407.49	0.43 0.53	— 0.74

NOTE : Calculated by the Author.

<sup>a</sup> Calculated on the basis of the formula given :

$$UR = \frac{U}{R} \text{ where } UR \text{ is the urban-rural ratio and } U \& R \text{ are urban \& rural population.}$$

<sup>b</sup> Calculated on the basis of the formula :

$$G_i = \left( \frac{n}{i} x_i - y_{i+1} \right) = \left( \frac{n}{i} x_i + 1 - y_i \right)$$

where

$G_i$  Concentration Ratio

$x_i$  Cumulative proportion of the population.

$y_i$  Cumulative proportion of the localities.

<sup>8</sup>S.D. Roy, "Reports on Bombay and Calcutta", *People*, Vol. 11, No. 2, 1984, pp. 1-10.

1971-81 has increased for India, Tamil Nadu and Maharashtra. For the country as a whole, the ratio increased from 25 per cent to 35 during the period under consideration. It indicates that the urban population is three times less than the rural population. The ratio for Tamil Nadu was 49 per cent whereas in Maharashtra it was 53 per cent (almost the same). This figure indicates the urban population, which was almost half compared to rural population.

The Gini concentration ratio for India, Tamil Nadu, Maharashtra was 0.69, 0.67 and 0.74 respectively. This index varies from zero which is attained when population is evenly distributed, to almost one which is attained when population is concentrated in a very small area. This figure indicates that Maharashtra has unequal distribution of urban population than Tamil Nadu.

The primary index for first four cities in Tamil Nadu and Maharashtra for the year 1981 is presented in Table 5. The greater the index value, the greater the concentration in the largest cities. The index value for Tamil Nadu is 1.76 whereas for Maharashtra it is 2.26. This indicates the concentration in the largest cities is less in Tamil Nadu as compared to Maharashtra.

TABLE 5 PRIMACY INDEX FOR FIRST FOUR CITIES IN TAMIL NADU AND MAHARASHTRA (1981)

Year	State	Primary Index
1981	Tamil Nadu	1.76
	Maharashtra	2.26

Based on the Formula

$$PI_4 = \frac{C_1}{4}$$

$$K = 2$$

Where,

$PI_4$  = Primacy Index for first Four Cities,

$C_1$  = Is the Population of the Largest City,

$C_K$  for  $K = 2, 3$ , and 4 represents the population of the second, third and fourth ranked Cities respectively.

First Four Cities in Tamil Nadu : Madras, Coimbatore, Madurai and Tirichirappalli.

First Four Cities in Maharashtra : Greater Bombay, Pune, Nagpur and Ulhasnagar.

#### DISTRICTWISE ANALYSIS

The districtwise urban composition of population in Tamil Nadu is presented in Table 6. Out of the 16 districts in Tamil Nadu, Madras

city being a district itself is fully urban and accounts for about one-fifth of state's urban population. The other districts which have sizable urban population in Tamil Nadu are Madurai (16.44 lakh), Coimbatore (15.40 lakh), and Chengalpattu (14.05 lakh). Tirunelveli (12.37 lakh), and North Arcot (10.14 lakh). These districts have together over 60 per cent of the state's urban population.

TABLE 6 DISTRICTWISE URBAN POPULATION, ITS PROPORTION AND GROWTH RATE FOR 1971-81 IN TAMIL NADU

District	Population 1981 (Urban) (in lakh)	Percentage of urban to total population		Decennial growth rate 1971-81 (Urban)
		1971	1981	
Tamil Nadu	159.27	30.27	32.98	27.72
Madras	32.66	100.00	100.00	26.62
Chengalpattu	14.05	32.42	38.91	54.94
North Arcot	10.14	20.85	23.05	29.56
South Arcot	6.60	14.18	15.72	28.69
Dharmapuri	1.87	8.58	9.39	29.97
Salem	9.92	26.58	28.92	24.73
Periyar	4.53	18.21	22.06	38.75
Coimbatore	15.40	47.71	50.49	25.35
Nilgiri	3.06	49.24	48.79	26.00
Madurai	16.44	33.62	36.31	24.23
Trichirapalli	9.41	23.76	26.12	24.19
Tanjore	9.36	21.74	23.07	21.32
Puducottah	1.51	12.14	13.29	33.62
Ramanathapuram	9.41	26.11	28.28	26.15
Tirunelveli	12.37	32.17	34.77	20.22
Kanniyakumari	2.45	16.72	17.28	19.97

SOURCE : A.P. Muthu Swami, "Provisional Population Totals : Paper 1 of 1981 Supplement, Series-20", Tamil Nadu, Director of Census Operations.

Among the districts of Tamil Nadu except for Madras which is entirely urban, the district of Coimbatore has recorded the highest percentage of urban population (50.49 per cent), when the lowest percentage of urban population was recorded in Dharmapuri (9.39 per cent). Coimbatore City and a number of industrial towns surrounding it are located in this district. Chengalpattu (38.91 per cent), Coimbatore (50.49 per cent), Nilgiris (48.79 per cent), Madurai (36.31 per cent) and Tirunelveli (34.77 per cent) are the districts where urban population was higher than the state's average in 1981. The rest of the districts in Tamil Nadu (North Arcot, Salem, South Arcot, Dharmapuri, Periyar, Trichirapalli, Thanjavur, Puducottah, Ramanathapuram and Kanniyakumari) have an urban population lower than the state's average.

For the more detailed study of urbanisation in Tamil Nadu, it was divided into four zones, namely, Southern, Northern, Eastern and Western zone. (for detailed explanation see Table 7).

The urban-rural ratio, percentage of urban to total population, decennial growth rate for all the zones are presented in Table 7. In each and every respect the Northern zone (Madras, Chengalpattu, North Arcot, Dharmapuri) recorded the first rank whereas the Eastern zone (South Arcot, Trichirapalli, Thanjavur, Pudukottai) recorded the last rank in the year 1981. The decennial growth rate of urban population was higher in Northern zone (35.28 per cent) whereas it was very low in Southern zone (22.6 per cent).

TABLE 7 THE URBAN-RURAL AND DECENTNIAL GROWTH RATE FOR THE FOUR ZONES IN TAMIL NADU (1981)

All zones	Total population	Urban population	Rural population	Ratio of urban-rural population	Percentage of urban to total Population	Decennial growth rate 1971-81 (Urban)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Southern Zone <sup>1</sup>	12838651	4069832	8768819	0.46	31.69	22.64
Northern Zone <sup>2</sup>	13273282	5873195	7400087	0.79	44.25	35.28
Eastern Zone <sup>3</sup>	13018839	2691819	10327020	0.26	20.68	26.96
Western Zone <sup>4</sup>	9166684	3293106	5873578	0.56	35.92	28.71
All Zones	48297456	15927952	32369504	0.49	32.98	27.72

NOTE : Calculated by the Author.

<sup>1</sup>Thirunelveli, Kanyakumari, Ramanathapuram, Madurai.

<sup>2</sup>Madras, Chengalpattu, North Arcot, Dharmapuri.

<sup>3</sup>South Arcot, Trichirapalli, Tanjore, Pudukottai.

<sup>4</sup>Salem, Periyar, Nilgiri, Coimbatore.

The total population and urban population of the state in absolute terms : the total increased from 193 lakh in 1901 to 482 lakh in 1981; the urban population at the same time increased from 49 lakh in 1901 to 159 lakh in 1981. In other words, the total population increased by more than two and half times whereas that of urban population by three and half times during the same period (1901-1981). The density of population was recorded as 148 per square kilometer in the year 1901, it increased to 371 per square kilometer in 1981. In other words, the density of population increased by more than two and a half times. The percentage of urban to total population has increased from 13.99 per cent to 33.0 per cent during the same period.

It is evident therefore that the level of urbanization has been

steadily increasing all through the decades since 1901. The percentage of urban population to total population has increased more than two times, whereas the actual number of city dwellers recorded roughly fourteen fold increase during 1901-81. Till 1941, the percentage rate of growth of urban population to total population has increased at a lower rate when compared to the last four decades (1941-81). However, there has not been a steady increase in the pace of urbanization throughout the period under consideration.

Table 8 shows the percentage decennial variation in urban population in India and Tamil Nadu during the years 1901-81. The decennial variation has increased (except in 1921 with 8.9 per cent) steadily from 15.9 per cent in 1911 to 41.7 per cent in 1951, but in 1961 it was only 22.6 per cent which might be due to the elimination of 24 towns at the time of 1961 census as the result of application of revised definition of urban areas.

TABLE 8 PERCENTAGE DECAENNIAL VARIATION IN URBAN POPULATION IN INDIA AND TAMIL NADU (1901-81)

	1901-11	1911-21	1921-31	1931-41	1941-51	1951-61	1961-71	1971-81
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
India	0.14	8.30	19.10	32.00	41.40	26.40	37.98	46.02
Tamil Nadu	15.60	8.90	23.40	22.30	41.70	22.60	61.74	27.70

SOURCES: 1. Ashish Bose, "India's Urbanisation 1901-2001", Second Edn., Institute of Economic Growth, New Delhi, pp. 84.  
 2. Muthu Swami cited in Table 6.

There after the pace of urbanization gives an increasing trend, but in 1981, it is only 27.7 per cent. In absolute terms, during 1971-81 decade, the net increase in urban population is almost the same as in 1971 (3.47 million). This reveals the fact that urban population is growing constantly in these two decades. There has also been a noticeable increase in the number of towns from 133 in 1901 to 434 in 1981.

#### POPULATION DISTRIBUTION

In the Indian census reports it is customary to present data on cities and towns grouped into six urban classes according to the population size. Number of urban agglomerations and towns and their population distribution by size class from 1951 to 81 is presented in the Table 9.

The proportion of urban population in class I towns has increased from 41.79 per cent in 1951 to 62.19 per cent in 1981, whereas in

TABLE 9 NUMBER OF URBAN AGGLOMERATIONS AND TOWNS AND THEIR POPULATION BY SIZE CLASS 1951-81

(1)	Number of urban agglomeration/ towns				Percentage*			
	1951	1961	1971	1981	1951	1961	1971	1981
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Class I								
India	74	102	145	216	44.31	50.77	56.21	60.37
Tamil Nadu	8	11	16	20	41.79	47.52	57.74	62.19
Class II								
India	95	129	178	270	9.95	11.00	11.24	11.65
Tamil Nadu	12	19	27	37	11.61	14.09	14.16	15.99
Class III								
India	330	449	570	739	15.79	17.41	16.32	14.35
Tamil Nadu	49	49	57	63	21.20	17.26	15.11	12.52
Class IV								
India	621	732	847	1048	13.79	13.00	11.20	9.52
Tamil Nadu	80	95	86	82	14.86	14.28	9.89	7.40
Class V								
India	1146	739	641	742	13.04	7.03	4.57	3.61
Tamil Nadu	89	76	44	37	9.22	6.30	2.77	1.76
Class VI								
India	578	179	150	230	3.12	0.79	0.46	0.50
Tamil Nadu	26	15	11	6	1.32	0.55	0.33	0.14

SOURCE : Padmanabha, cited in Table 1.

\* Population of this size class as per cent of urban population.

class II towns it has increased from 11.61 per cent to 15.99 per cent during the same period. But the proportion for India in class I towns increased from 44.31 per cent in 1951 to 60.37 per cent in 1981, whereas in class II it has increased from 9.95 per cent to 11.65 per cent during the same period. Except the first two, (classes I and II) all other classes' percentage of urban population has declined during the years 1951-81. The class III towns' percentage was 12.52 in the year 1981, against 21.20 per cent in 1951. The small towns which have less than 20,000 population (class IV plus class V plus class VI towns) have declined from 25.40 per cent in 1951 to 9.30 per cent in 1981.

When we consider the decadal growth of population of the six class towns, it is observed that higher growth is noticed only in the case of first three classes of towns. During 1971-81, the population

of class I towns has gone up by 37.62 per cent, that of class II by 44.29 per cent and class III by 5.92 per cent. It is significant to note that 125 towns/urban agglomerations belonging to classes IV, V, VI (out of 245 towns/urban agglomerations units in Tamil Nadu) have in them merely 9.3 per cent of the state's urban population as per 1981.

The higher percentage of urban population in big cities may be attributed to the natural growth rate of population living in the urban areas and migration both from urban to urban centres and rural to urban areas and the promotion of class III towns to class II towns and from class II to class I towns.

There is a negative rate of growth of urban population of small towns during 1951-81 which may be attributed to deterioration of the economic conditions of these towns. The class I cities have experienced high urban growth during the period 1961-81 whereas it is more or less the same in class II cities. But in the case of small towns, urban growth was negative during the same period. It can be concluded that the class I cities are increasing at the cost of small towns.

The concept of urban agglomeration was first introduced in 1971 census and has been followed in the 1981 census also. An urban agglomeration may be defined as follows: "It must form a continuous urban spread constituting a town and its adjoining urban outgrowth, or two or more physically contiguous towns together with continuous well recognised urban outgrowth if any of such towns."<sup>9</sup>

In addition to the 32 urban agglomerations of 1971 census which have been continued in 1981 (with a few additional towns in some urban agglomerations) two entirely new urban agglomerations have been formed for 1981 census. They are Nilgiris and Karur.

The concentration of urban agglomerations is very high in class I cities compared to other size class cities. Out of 34 urban agglomerations, the Madras urban agglomeration which is the largest urban concentration of the state has 42.76 lakh of population as per 1981 census and it consists of the core town of Madras as also 48 other constituent towns. This urban complex recorded a growth rate of 63.02 per cent during 1961-71 and 34.91 per cent during 1971-81.

Madras is the fourth biggest urban centre in the country, the first three being Calcutta urban agglomeration (9.17 million), Greater Bombay City (8.20 million) and Delhi urban agglomeration (5.75 million). In Tamil Nadu, Coimbatore urban agglomeration comes next to Madras with a population of 9.17 lakh. This urban agglomeration has 17 urban units including the core towns and its fold. Madurai urban agglomeration has a population of 9.04 lakh with 10

<sup>9</sup>K.R. Richholiya, "Urbanization in Gujarat", *Nagarlok*, July-September 1983, No. 3, Vol. XV, pp. 51-62.

constituent units. Trichirapalli (6.07 lakh) and Salem (5.15 lakh) are the other important urban agglomerations which have over 500,000 population.

Tamil Nadu has 20 class I cities by the end of 1981. Madras is the only city in Tamil Nadu prior to 1951 with a population of one lakh and above. Subsequently, the number of class I cities increased from 8 in 1951, 11 in 1961, 16 in 1971 to 20 in 1981.

Out of the 16 districts in Tamil Nadu there are three districts (Dharmapuri, Nilgiri and Puducottah) which did not have cities in the year 1981. The 20 cities are located in the districts as following : One each from Madras, North Arcot, South Arcot, Periyar, Trichirapalli, Kanyakumari; two each from Chengalpattu, Salem, Madurai, Thanjavur, Ramanathapuram, Tinnelvelly and four from Coimbatore. The growth rates of cities and their population are presented in the Table 10.

TABLE 10 THE GROWTH RATE OF THE CITIES AND THEIR POPULATION IN TAMIL NADU (1961-81)

<i>Name of the City/UA</i>	<i>District</i>	<i>Population</i>	<i>Growth rate</i>	
		1981 (in lakhs)	1961-71	1971-81
Madras UA	Madras & Chengalpattu	42.77	63.02	34.91
Coimbatore UA	Coimbatore	9.17	64.26	24.58
Madurai UA	Madurai	9.04	44.94	27.11
Thirichirapalli UA	Thirichirapalli	6.07	37.11	30.82
Salem UA	Salem	5.15	52.47	23.67
Tirunelveli UA	Tirunelveli	3.24	40.33	21.50
Erode UA	Periyar & Salem	2.75	64.29	62.19
Tuticorin UA	Tirunelveli	2.50	42.84	37.80
Vellore UA	North Arcot	2.46	28.92	38.30
Thiruppur UA	Coimbatore	2.15	54.27	42.76
Tanjavur City	Tanjavur	1.83	26.51	30.54
Nagercoil City	Kanyakumari	1.71	33.03	21.48
Dindigul City	Madurai	1.70	38.17	32.52
Kanjeevaram UA	Chengelpattu	1.45	29.10	21.42
Kumbakonam UA	Tanjavur	1.41	23.68	18.37
Cuddalore City	South Arcot	1.27	28.00	25.89
Valparai City	Coimbatore	1.15	18.93	21.53
Pollachi UA	Coimbatore	1.14	72.59	22.24
Rajapalayam City	Ramanathapuram	1.01	22.12	16.88
Karaikudi UA	Ramanathapuram	1.00	26.03	13.33

SOURCE: Muthu Swami, cited in Table 6.

The growth rate of the cities in Tamil Nadu in the year 1971-81 is very less compared to 1961-71. Except the three cities (Vellore,

Thanjavore, Valparai) all other cities recorded a growth which was less in the year 1971-81. For the period 1961-71, Madras, Coimbatore, Tinnelveli recorded rapid growth rate of 73.02 per cent, 64.26 per cent and 40.33 per cent but which have rapidly come down to 34.91 per cent, 24.58 per cent and 21.50 per cent during the period 1971-81.

### CONCLUSION

The conclusion that can be drawn from the foregoing analysis of urban growth in Tamil Nadu are that the percentage of urban population to total population has increased more than two times whereas the actual number of city dwellers recorded roughly fourteen-fold increase during 1901-81. The rate of growth of urban population has been much lower (27.8%) during 1971-81 than (38.6%) during 1961-71. The bigger towns are growing bigger and bigger and smaller towns are declining to still smaller level. There was migration both from rural to urban areas and from urban to urban areas.

The main reasons for these trends of urban growth are inadequate employment opportunities for the rural masses, poor economic conditions, and lack of adequate infrastructure facilities in small towns. As the urban formal sector is unable to absorb the growing labour force, even these people are forced to work in the informal, unorganised, unregulated sectors, which causes deterioration in living conditions, quality of environment and growth of big slums, urban poverty, followed by various types of social alienations in the big cities.

In order to avoid the congestional and allied problems the promotion of small towns is socially more desirable. With the dispersal of infrastructural facilities, careful selection of industries and their location with greater government control, it is possible to achieve a more balanced pattern of spatial development.

In order to formulate planned urban development programmes and policies the projected urban population over a period, at least two decades, should be taken into consideration. □

## *Shelter Policy*

H.U. BIJLANI

IT IS well-known that we do not have in India what is popularly called a National Housing or Shelter Policy. But every five year plan lays down the programmes and principles and pegs down the route to be followed in this and other fields.

Often stress is laid on 'Affordability' and for that purpose people are categorised in four broad economic groups, *viz.* : (1) Economically Weaker Section, (2) Lower Income Group, (3) Middle Income Group, and (4) Higher Income Group. But affordability in a National Policy does not refer only to economic standing or viability of a person but it also refers to the economic viability of the country and the importance it attaches to housing. In order to appreciate this let us look at the policies different countries follow in this field all over the world. The USSR endeavours to provide a house depending on the requirement, *i.e.*, the family-size rather than the economic standing of a person or the salary he draws. Many east European countries provide loans at zero interest returnable in 40 years for constructing or providing a house to their citizens. Belgium pursues policies that have resulted in excess of housing stock. There is a popular saying: "every Belgian is borne with a brick in his stomach". West Europe, UK, USA follow the policy of market loans, housing mortgage and secondary mortgage. In India the policy was: "Poorer the man lower the rate of interest and longer the return period. Richer the man higher the rate of interest and lower the return period". Popularly we call it the policy of cross-subsidising.

### HOUSING SHORTAGE

The data on next page shows how India compares with some other countries in housing shortage.

<i>Country</i>	<i>Period</i>	<i>Total no. of dwellings required</i>	<i>Total no. of dwelling required at the beginning of period (Million Units)</i>
Indonesia	1961-82	28.62	16.57
Japan	1969-75	12.30	2.46
Philippines	1960-80	9.42	1.26
France	1962-80	10.16	1.11
USSR	1971-80	21.4	17.70
Data for urban areas only			
India	1961-76	33.80	7.80

SOURCE : UN compendium of social statistics 1977. The developed countries of the West invest every year about 3.6 per cent to 7.6 per cent of their much higher GNP's on their National Housing Stock. The Indian investment in housing sector is about 1 per cent—2 per cent of the country's much lower GNP.

#### SOME POLICY ISSUES

- (i) The 'housing package' of land, utilities and shelter—in combination with access to work, educational and social facilities—greatly affects the productivity of the poor and their welfare.
- (ii) Cheapest Housing Units currently produced by public sector are beyond the reach of 35 to 40 per cent of population.
- (iii) Differential rate of interest and repayment policy should be based on maxim : Poorer the household, lower the rate of interest and longer the return period. This helps keep the hire-purchase instalments within their affordable limits.
- (iv) Sliding Scale of assistance promotes a feeling of partnership between the lender and borrower and fosters a feeling of being together.
- (v) Higher attention is to be paid to utilisation of land and its development cost. Computer based, systems approach in land sub-division and utility networks should take precedence over ad hoc professional approach.
- (vi) Shelter is a game of "Snakes & Ladders" the Snakes are:
  - \* Time and cost over-runs
  - \* Deficient/inefficient layouts
  - \* Prodigal Standards
  - \* Ignoring site conditions
  - \* Inter-agency coordination problems
  - \* Inadequate delegation of powers

- \* Use/Abuse of scares materials
- \* Delays in allotments.

Ladders are :

- \* Land banks
- \* Education in minimum cost housing
- \* Optimum land utilisation
- \* Perspective planning
- \* Sound management
- \* People's participation
- \* Effective cost recovery
- \* Low over-head costs
- \* Own staff cadre.

(vii) We have lost years in searching superior technology, chased pre-fabrication techniques and clung to expensive building materials, higher floor areas, wasted land in low densities—yet ever so often new Messiah's are borne who cling to these very 'Snakes' under the garb of engaging 'Consultants' who have no idea of what minimum cost shelter means.

#### SELF-HELP

Most housing experts think in terms of self-help in building houses. If you look at the cost structure of a small house for the poor, 80 per cent of costs are absorbed by materials and another 15 per cent by skilled labour. It is only 5 per cent of the cost that goes towards manual labour. This income would also stop the moment house is completed. We should therefore be looking beyond this self-help in 5 per cent of cost structure. The beneficiaries could be utilised more profitably and for longer periods in building material manufacturing process in producing bricks, sanitary equipment, tiles, wooden frames, etc. About 90 per cent of building material requirement can be produced and organised locally to feed a given catchment area. In such a process a permanent earning potential can be created, reducing the cost of building material considerably thus making the house cheaper and shifting the loan component from housing loan to production loan. In true sense it could then also be argued that housing is an industry.

#### SIZE OF A TOWNSHIP

Mythology tells us about a wiseman who had a novel way of, structuring a guestbed to his visitor. If he (the visitor) was too tall

he chopped off his feet and if he was too short, he put him on his stretching machine and made him suitable for the bed. The host thus was a happy and contended man. Similarly our planners have two ways for planning cities for the urban growth. They either propose to enlarge the city to accommodate more as is being suggested in the second Master Plan for Delhi or close your city gates to limit the population as Beijing proposes to do by turn of century. Which, one may ask is the more sensible solution without prejudice to communist approach?

#### POOR-MAN'S SHELTER

As time passed and inflation showed its impact, those in charge of poor man's shelter programme, threw up their hands and pushed the R & D efforts: the new ideas and ideals under the rug along with the poor man himself. They changed the affordability standards, principles of rates of interest and return periods and succumbed to the demands of organised groups to modify fiscal policies which over-looked the poorest of the poor. The easy way out was to cater to people with comparatively higher income brackets and club them with the poorest of the poor. In the last two decades the overall population of India increased by 50 per cent from 45 crore to 70 crore; the population of metropolitan Bombay by 100 per cent from 45 lakh to 90 lakh and the squatter population of that city by more than 100 per cent from under 4 lakh to 40 lakh. This increase in squatter population is the most traumatic and unfortunately this is the population we tend to forget.

#### THE HYDERABAD EXPERIMENT

Amongst the stories of success in shelter programme, we quote the Hyderabad Slum Improvement programme. Are the poorest really benefiting from the programme of slum upgradation in progress in Hyderabad? It is commonly supposed that the poorest of urban poor live in slums. But is that so? This is too facile an assumption. Streets of urban India lined up with pavement dwellers, people staying in pipes or in semi-permanent sites are the ones that come up in fore front. As compared to these, the slums are peopled mainly by communities having their own leaders, hierarchies of social superiorities and subordination. The affidavits of income given by many are doubted but never questioned and infact readily accepted. Even a casual survey indicates a large number of inhabitants with T.V. antennas and a range of electronic equipment in the houses. These assets are not grudged but only questioned to find an answer if the

help is being received by the poorest of the poor termed as economically weaker sections. It is not being argued that help should not be given to families having better economic standing. It is being suggested that the intended beneficiary has been kept out through the organised community strength.

It is also the same strength that helps the slum dweller not to obey the rules of the scheme—e.g., the rule not to sell the dwelling—legally or otherwise. One may question the validity of such rules to bind a slum dweller to the slum for a life time or bulk of his life. The mere existence of illegal transactions is not in itself a cause of concern. The concern becomes appropriate if the rules of scheme are indeed conducive to the welfare of beneficiaries. To bind the beneficiary and his family to the slum too tightly would perhaps be inimical to social mobility. Should an improvement scheme permit the exploitation of beneficiaries to the extent to lock them in the slum is a pertinent question some may like to ask. A host of questions crop up. Questions relating to cost effectiveness and loan recoveries of such projects. Questions relating to the total packet delivered and affordability. One might even question the contribution of community development department itself for these projects—the way it selected the slums and the way it handled some successfully and others not so successfully.

#### THE PAVEMENT DWELLERS

Most of the analysts feel that we have shown obsessive concern with the slums—perhaps to the neglect of pavement dwellers. Our attitudes towards pavement dwellers today are the same as we looked at squatter settlements, unauthorised colonies and slums in general more than two decades ago. Little do we realise that our neglect of pavement dwelling is of greater challenge to urban planning and development and therefore our resettlement, re-housing and upgradation programmes for slum dwellers should find adequate place for pavement-dwellers also. The official urban policies so far have neglected this aspect and it is hoped that the national commission on urban development will give adequate attention to this traumatic symptom. The society for promotion of Area Resource Centres, (SPARC) carried out census of pavement dwellers during 1985 in Byculla and Mazagaon areas of Central Bombay since 'E' ward as it is called was their area of operation since January 1985. It covered some 6054 pavement households with an average family size of 4.4 persons in this one ward and the arterial roads alone and the results are startling as reported in their publication titled—'We, the invisible':

- (i) Heads of 13.5 per cent of all households (820 in number) were

born in Bombay itself and hence cannot be termed as migrants.

- (ii) Amongst migrant households 60 per cent migrated to Bombay over a decade ago and of these around 17 per cent had been in city for nearly 3 decades and 6 per cent for almost 4 decades.
- (iii) 52.4 per cent of the migrant pavement households had owned no assets whatsoever in their native place. A further 27.2 per cent had owned only a hut and nothing else. Only 18.2 per cent had owned land, generally less than 2 acres making them the marginal farmers, only a shade better off than the landless. The survey supports the fact that the poorest of the rural poor tend to migrate to cities in search of jobs.

It is true that long-term permanent solution would lie with rapid and equitable development of rural areas, small and medium towns and growth centres. In the meanwhile "pavement 10 dweller case" which was argued first in Bombay High Court and later in Supreme Court made pavement dwelling a National issue. The pavement dwellers argued that the pavements were public property and they were forced to live on pavements out of necessity. That the right to life includes right to livelihood and if people are paid less than the minimum wages and are pushed below the poverty line, then their right to life has been violated. The counter arguments brought out that by evicting illegal encroachers from the pavements, they were not being deprived of their right to life and in fact their right to life had not been violated by such evictions. Nor can their right to life will be at the cost of right to life of another section of the public—viz., the pedestrians—who are endangered by having to walk on the road. The Supreme Court judgement delivered on July 11, 1985 "reflects an acceptance of the major arguments put forth on behalf of pavement dwellers—that the right to life includes the right to livelihood, that pavement dwelling is the result of dire poverty and socio-economic distress and of the lack of viable alternatives. Yet the judgement proclaims that eviction of pavement dwellers is legal and permissible as long as prior notice is given and the demolition carried out in as human a manner as possible". It is not necessary the court decreed—to provide alternative location or accommodation to the affected. The court however does not tell where they should go—although when the petitioners asked the court to define the rights of a child born on the pavements, Chief Justice Chandrachud is said to have put it, the pavement is their Matrabumi.

#### URBAN ARROGANCE

Most of us who are engaged in the game of urban planning or development suffer from what may be called for 'Urban Arrogance'

Even though we do know that the target group comprises of the poor who form an overwhelming majority in our country, our plans, controls, regulations and bye-laws continue to be elitist. We continue to show-off our skills in the form of huge costly structures which this target group cannot afford. We want to build fly-overs and wide avenues even though the vast majority of population goes about on bicycles, our infrastructure plans continue to be costly and westernised and our bye-laws continue to be such that almost the entire code would seem irrelevant if a small one room shelter is to be built for poor man. Such attitudes on part of all of us whether we are engineers, architects, planners or generalists reflect what I call 'Urban Arrogance'.

When we think of a city beautiful, we come face to face with the problem of development control. But there cannot be beauty without convenience and in a country, where three out of four families live below the poverty line, the beauty of a city or life for the common men have connotations very much different from what we may have imagined so far. Controlling development is a game you cannot win. When you plan for the masses or the urban poor the development plans, the residential structure, the utility services, the common facilities cannot be spectacular and one is out right condemned by the elite, the Pseudeintellect and the novo rich for thinking small, for lack of ingenuity and dimension for being backward in a world which has made fantastic strides in technology. It is due to fear of this criticism that we forget the purpose and the object of creating a convenient and a comfortable city for a common man and instead want the form and shapes we have seen else where without realising or taking into consideration the whole city—a unity of expression within which each urban structure, facility and service is a subpart of the whole. Slum dwellers after all are only symptoms of urban ills and not the cause. Our urban society depends on this mass of unskilled and underpaid labour. When we want to conceptualise our ideal city or want to restructure the same, it has to embrace every one including this underpaid and cheap manual labour. In our seminars and workshops we invariably talk about the economically weaker sections of the society but we do precious little in our developmental, physical and fiscal plans to look after them within their paying capacity. This forgotten man, therefore, erupts with his own meagre resources in squatter settlements, unauthorised colonies, slums and pavement dwellings. We then look aghast at these human settlements. Where we dreamed a park, a fostering slum is born, the area marked for a school yields place to a heap of rubbish and where our children were to swing and play-ball, pigs and ghoulish creatures abound. Out of anguish, we try to create a dream settlement nearer to our heart's desire. Little do we realise that there is one thing worse than these

slums and squatter areas and that is bull-dozing these slums without providing shelter to those poor people.

#### ORGANISE THE UNORGANISED

The urban poor are largely unorganised and ill-informed. Most of them would not even dare enter the offices of urban planning and housing agencies. No wonder most of housing agencies often refuse to pick-up funds for weaker section housing on the plea that there is no adequate demand for such housing. What they forget is that a poor man in order to earn his livelihood for his family leaves home early in the morning and returns late, all fatigued and fagged out. If he has to go to any office to register his name, he has to forego that day's wages which he cannot afford to do. Such people have to be organised and adequately informed and helped. The organisations catering towards shelter for such people have to be told that these people cannot reach them but they have to reach the poor—they have to go to their thatched huts in slums and pavement dwellings and offer them schemes like 'Environmental Improvement', 'Squatter Upgradation', 'Sites and Services', 'Core Housing', 'Skeletal Shelter', etc., with ownership-rights. The elite amongst the professionals and administrators often feel that such a multiple approach of reaching the poor produces an environment which goes against their known concepts of physical planning, dreams and design to produce a 'city beautiful' or a 'Garden city'. That may be so but when one comes to the realms of reality and looks towards the abysmal poverty of our target groups, one has to think in terms of that affordable shelter which when provided will make the poor man more proud of his poverty than the rich man is of his wealth.

Non-government organisations can provide a major thrust in that direction—towards a confident exploration, a daring adventure, a heroic effort and so, to a better tomorrow. □

## *A Critique of Theories on Slums in the Light of Studies on Indian Slums*

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SLUMS AND urbanization are twin processes which seem to go hand in hand. A study of urban phenomenon cannot sidetrack slums. Slums have become a common object of study for social scientists, planners, administrators, and all those who are interested in the study of problematic aspects of urban life. Slums have been considered by many as breeding grounds for several social problems in the urban centres in the east and the west. Sociologists in the west have made an attempt to study the patterns of growth of slums, their nature and characteristics through different theoretical framework. The most cited theories on slums in the sociological literature are: E.W. Burgess' theory of changes in urban land use patterns, Homer Hoyt's sector theory, Herbert Gans' typology of the urban villages and urban jungles, Charles J. Stokes' classification of the 'slums of hope' and the 'slums of despair', Seeley's classification of slums of necessity and slums of opportunity, and Oscar Lewis' theory of 'culture of poverty'. Most of the theories developed so far by the sociologists are based on their studies of western slums. But we deplore the lack of attempts to develop theories on slums by the Indian sociologists although slums do exist in India so rampantly.

They have not paid adequate attention to develop a theoretical framework for analysing the Indian slums. The study of Indian slums with the help of the theories developed by the westerners is beset with difficulties.

There is no pretension here to develop an alternative theory in the Indian context. This paper only intends to show that the theoretical framework developed on the study of slums in the west and facts

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obtained through studies of Indian slums are incapable of being fitted into a regular framework. However, some concepts (one such concept is 'culture of poverty') may be tried for application in the study of slums in India.

#### THEORIES ON ECOLOGICAL PATTERN OF SLUMS

Now let us examine some of the oft-cited theories developed by the social scientists in the west.

The theory of changes in Urban land use pattern as developed by E.W. Burgess suggests that the slum develops within the one surrounding, the central business districts. This theory is based on the study of Chicago City (Burgess, 1925). H.W. Zorbaugh in his study of Gold Coast and Slum, supports this theory. He writes, "the city, as it grows, creates about its central business district a belt of bleak, barren, physically deteriorated neighbourhoods. And in these neighbourhoods, the undesirable and those of low economic status are segregated by the unremitting competition of the economic process in which land values, rentals and wages are fixed" (Zorbaugh, 1929).

Burgess and his followers have seen a definite pattern of growth of slums in the west. But recent studies in Latin America and under-developed countries in the west and the east have clearly shown that slums have developed not within the zone of surrounding but on the outskirts of the cities also. Slums have not only emerged around economic organizations but have also come into existence due to the various socio-economic and cultural conditions in a particular environment.

Very few scientific studies are available about the ecological patterns of slums in Indian society. The prominent studies on slums in India are made by A.R. Desai and S.D. Pillai, Paul D. Wiebe, K.N. Venkatarayappa, P.K. Nambiar, Ratna Naidu and others. It may be observed from the study of slums in Hyderabad and Secunderabad that slums have not developed exclusively around the central business district. One hundred and six slums were identified in Hyderabad and Secunderabad in 1962 and 74 new slums were added to the list at the end of 1976. Naidu writes that in the poor countries where infrastructural facilities for transportation, schooling, shopping, amusement and so on remain low in spite of accelerated growth of the city peripheries, the middle and upper classes remain near the central business district, and land values around these areas remain perhaps highest in the metropolia. She also observes that some of the slums developed near the industries and other major establishments. She observes that the chronology of locational growth of industries is also reflected in the chronology of the growth of slums. Besides commer-

cial and industrial complexes slums have emerged around the other major establishments like railway stations, hospitals and vegetable markets, etc., (Naidu, 1978).

The studies of slums in Bombay and Madras cities revealed that growth of slums did not follow any definite pattern. They have been found in almost all the wards and zones. Before rapid industrialization, most of the slums emerged on the outskirts of the cities. After industrialization the slums emerged not only around the industrial and business establishments but also grew wherever there were vacant places in the cities (Desai & Pillai, 1972). A recent study of 18 slums in Gulbarga City (Karnataka) also revealed that slums have emerged mostly on the outskirts of the cities irregularly and gradually they are also emerging in all the public and private vacant places (Dhadave, 1979).

In Delhi slums are generally located in the fringe, along the road-rail track, under fly-over, on the bank of the river Yamuna, and around newly developing construction sites and housing colonies.

Under conditions of rapid urban and industrial growth the crucial need is an organised pattern of urban development without which the natural outcome would be the growth of squatter colonies and the degeneration of urban neighbourhoods into slum area.

A modification to the theory of Burgess was provided by Homer Hoyt. His theory is more dynamic in character than Burgess' propositions since constant changes are taking place in the spatial patterns of the city. He holds that industrial areas do not develop around the central business district but along rail-road lines and water fronts or more recently near the outskirts of the city (Hoyt, 1939).

Giddeon Sjoberg observes that the pattern of land distribution in which the slum is located in or near the central city represents a generalization fulfilled only in industrial cities; where centralized commercial and industrial activities are necessarily more prominent. It does not apply to pre-industrial cities (Sjoberg, 1960).

The slums have not grown in Indian cities in a similar pattern as in the west. It is a truism that in some of the metropolitan cities, like Bombay, Hyderabad, Madras and Calcutta, slums developed near the industrial complexes. They have not developed in these cities alongwith their caste, religion and region. But in medium sized cities like Bhagalpur, Gulbarga, Hubli and Mysore, the slums developed alongwith their caste, religion or region.

#### **THEORIES ON NATURE OF THE SLUMS**

Herbert Gans in his book *urban villagers* discusses two types of slums. They are 'entry area' and the area populated by 'social rejects'.

In the 'entry area' newcomers to the city find their first places to live in. Here they try to adapt their "non-urban institution and cultures to the urban milieu. In another type of low rent neighbourhood those who have not succeeded and are not going to succeed are predominant. This is the 'urban jungle'." (Gans, 1952).

Such a clear cut dichotomy of slums is difficult to observe in Indian cities. The slums studied in different cities cannot be fitted in any of these categories. There is no such definite 'entry area' or 'urban jungle' in Indian cities. People migrating from rural areas settle in urban areas according to their taste and regional affinities. Their life is governed very much by the social and cultural conditions of the rest of the society. Majority of the slum dwellers are suffering from poverty.

Similar attempt has been made by Charles J. Stokes. Stokes divided slums into the 'slums of hope' and 'the slums of despair'. The slum of hope is a way station. One person or family may stay there for a fairly long time, but there is a feeling of transmission in it. The slum of despair is another stay. This is the end of the line and there is nowhere to go from there (Stokes, 1962).

Such a classification of slums was made by Charles J. Stokes on the basis of studies in the west. Many of the slums so far studied in the west resemble this category. Harvey W. Zorbaugh, in his book *The Gold Coast and the Slums* observes that the slum is an area of freedom. Over large stretches of the slums, men neither know nor trust their neighbours. Aside from a few marooned families, a large part of the native population is transient and consists of prostitutes, criminals, out-laws. Further he writes, all the records of the families tell more or less the same story—economic misfortune or failure, physical inadequacy, drink, dope of gambling, a loss of grip and finally a set of attitudes that at last accommodates the family to the slums and isolate it. In his study of Boston's South End, Charles J. Stokes observes that it is an area where the social residue lives; the old, poor, once wealthy, cast off Bhustanian; shady characters; and prostitutes.

Such types of slums can hardly be seen in the east. Each slum in the east is the mixture of hope and despair. Charles J. Stokes himself distinguishes slum in the west and the east. The crucial difference which Stokes makes between slums in under-developed and developed countries is that technological complexity and sophistication are so high in the developed countries that the slums there contain many more people for whom there are few channels of mobility, out of the slum conditions. He says that in developed countries slums persist because they are index of a paradox.

Rising standards of living are accompanied by rising standard of ability and competence. In the US poverty has become a term which

describes the conditions of a class more and more composed of the 'incapable'. These are people who because of society's standards of entrance into job opportunities have not been integrated into full participation in the economic life of the community. How to provide for these unfortunate lots, their presence should yield a costly dividend or crime and disease, remains the problem of highly developed society (Stokes, 1962).

Most of the slums so far studied in the west resemble the 'slums of despair'. Majority of the slum dwellers in the west are considered as transient, prostitutes, criminals, etc. But such an extreme situation is not found in the east. It is very difficult to fit the Indian slums into the categories mentioned by Charles J. Stokes. Indian slums, no doubt, are characterised by over-crowding, congestion, dilapidated housing condition and lack of civic amenities, poverty, bad habits like drinking and smoking, but they do not lack culture. This fact has been corroborated by many of the studies of Indian slums.

A.R. Desai and S.D. Pillai, in their study of an Indian slum write that studies of slums in Latin America show a pronounced instability of a family life and other characteristics of social dis-organization. This however does not hold true of 'Golibar slums' in Bombay. They observe in Golibar that 8.7 per cent of the heads of the families are married and only 0.3 per cent heads of the families are divorced and 0.3 per cent separated.

It is also observed in slums of medium sized city like Bhagalpur or Gulbarga that, the family life is stable. Very few cases of divorce or broken families are found in these slums. Slums in the city mostly consist of patriarchal type of families and they are nuclear in form. Monogamy is the most common form of marriage in the slums. Instability in family life and characteristics of social disorganisation are not to be found in Indian slums to the same degree as in the western ones.

#### CULTURE OF POVERTY

Oscar Lewis has developed his own theory about the nature of the slums. He holds that the slums characterised by poverty, lack of organization, the existence of bilateral kinship system and conflict of values give rise to a particular culture known as culture of poverty.

The characteristics of culture of poverty are : (1) lack of effective participation and integration of the poor in the major institutions of the larger society; (2) low wages; (3) chronic unemployment; (4) poor housing conditions; (5) low level of organization; (6) on the family level, the absence of childhood as a specially prolonged and protected stage in the life cycle; early initiation into sex; free unions or

consensual marriages; and (7) on the level of individual, major characteristics are strong feeling of marginality, of helplessness, of dependence and of inferiority, etc. (Lewis, 1968).

There are different viewpoints regarding the 'culture of poverty' among the sociologists. The concept has been severely criticized by some of the western sociologists. Hyman Rodman in his study of lower class families, the culture of poverty in Trinidad, opines that culture and personality of members of the lower class are not altogether determined by the circumstances of lower class life. Individual ability or creativity, of parents or friends or kinsmen who are especially able or creative, can set a lower class person on a track that leads him to surmount rather than adapt to lower class circumstances.

David C.L., has also reviewed the concept of culture of poverty developed by Oscar Lewis. Lewis believes that the poor throughout the world lead similar lives, in pattern referred to as 'the culture of poverty' in which are included weak family structure, frequent psychopathology and limited community integration. This concept has several weaknesses. It does not differentiate between culture members and non-members, and that many aspects are situational results of poverty and many traits are vague or common among the non poor.

Paul D. Wiebe while in his study of Chennanagar slum in Madras, observes "it is not certain all of the preconditions for the emergence of the culture of poverty" occur in Madras. The city is modern and industrial in many ways, yet it does not resemble the kinds of cities in western capitalistic societies where some of the poor are most likely to develop a culture of poverty and an "adaptation and a reaction to their marginal position". . . It seems clear that a culture of poverty does not characterize the living pattern of the Chennanagar slums and that such a culture does not now seem to be emerging (Wiebe, 1975).

On the other hand the studies conducted by A.R. Desai and S.D. Pillai and several other studies support the views of Oscar Lewis. Desai and Pillai feel that "present day organisation is generally a distinct two class cultural configuration. It is also generating a pattern of life, characterized by Oscar Lewis as the 'culture of poverty'" (Desai & Pillai, 1972).

A study of slum in Gulbaiga City (Karnataka) also reveals that the slums in the city are characterized by poverty, unemployment, minimum level of organization beyond family bad habits, rivalries and conflicts among different caste and regional groups, and low level of political participation (Dhadave, 1979).

Thus we have different explanations in the sociological literature regarding the concept of 'culture of poverty'. Oscar Lewis himself agrees that the 'culture of poverty' may not be operating in all parts of the world. It depends very much on the level of industrialization

of a particular country. The culture of poverty is very much visible in the developed countries. The under-developed countries are likely to fall in the same line with the increasing level of industrialization and urbanization. The recent studies of slums in under-developed countries carried out by Desai and Pillai, Venkatarayappa and others are a clear proof of gradual emergence of culture of poverty in the countries of the east, especially India.

The concept of 'culture of poverty' may be used as an ideal type for analysing the slum situations in different parts of the country. It is evident that majority of the traits of 'culture of poverty' except disorganized family life are operating in the slums of India. Slums in India not only have necessary conditions for the emergence of 'culture of poverty', they are, in fact, gradually giving rise to culture of poverty. It may also be true that similar traits of 'culture of poverty' are not found in the slums of the east and the west. The eastern slums may add their own typical cultural traits to the 'culture of poverty'.

#### CONCLUSIONS

Many urban sociologists in the west have made an attempt to develop theories regarding the pattern of growth of slums and their nature. But most of the theories developed by them have their origin in the study of the slums of the west and hence they pose a great difficulty while trying to apply them to the Indian settings.

The slums have not only grown surrounding the business districts but also emerged on the outskirts of the cities especially in the east. The growth of slum is not only governed by the principle of economic organizations but also, by the socio-cultural conditions of a particular society. The variables of caste, religion, regionalism, race and nationality play equally important role in patterning and growth of slums.

The slums in India cannot be fitted into the categories described by Charles J. Stokes and others. Indian slums are the complex of both 'hopes and despair', 'necessity and opportunity', practice of native culture and modernity. We think there is no specific 'entry area' as such in Indian cities.

The concept of 'culture of poverty' developed by Oscar Lewis though it has been criticized by many sociologists, has greater applicability to the slums of the east and the west. This concept may be used as an 'ideal type' in analysing the slum situation.

Indian slums have majority of the traits of 'culture of poverty'.

With much common but somewhat varying traits a uniform theory regarding slums is not difficult to get.

Poverty, Crime, prostitution are traits to be found in western

slums, likewise poverty, congestion, overcrowding, substandard living, lack of opportunities, sexual misdemeanour, deviance among children are some of the traits in Indian slums. The disorganised family life as found in the western slum only stands in contrast to the gradual stress and strain which family life is suffering in Indian slums. But if this situation is allowed to prolong in the slums, there will be possibility in the slums, of disorganization in the family life also in India.

This is a matter of concern that studies relating to Indian slums have not been able to develop an appropriate typology of Indian slums.

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# *The Urban Transportation Planning : An Approach*

V. LAKSHMIPATHY

THE GOVERNMENT of India, through various Five Year Plans and other developmental programmes, have generated immense job opportunities, attracting considerable work force particularly into urban centres. The most striking feature of this urbanisation process is the rapidity of growth of large and intermediate cities. Associated with this explosion are the requirements in the demands for transportation facilities in these urban centres. While the requirements for travel have increased considerably, investments for improving the transportation facilities have not kept pace with the increasing demand. As a result, the deficiency in transportation facilities touched extremely acute proportions, and the Government of India had to constitute a metropolitan transport team to study the problem in greater detail.

The study covering all the metropolitan cities has clearly brought out the need for accurate estimation of potential travel demand before evolving a comprehensive transportation policy. With an ever increasing number of cities joining the 'metropolitan club' the investment needs for transportation would also increase in the same proportion and the importance for accurate quantitative estimation of travel demand need not be over-stressed. The following statistics are indicative of the trends in this direction.

## URBAN TRANSPORTATION PLANNING PROCESS—AN APPROACH

Urban geography may be visualised as parcels of developed land generally reserved for various activities, which in turn create greater demand for physical facilities like transportation, water supply, sewerage, etc. Ideally, the planning and design aspects of each of the activities conform to a system, *i.e.*, configuration, to yield desirable results. The present state of art is to develop and plan a set of semi-independent subsystems such as transportation, or water supply and to fit it finally with the main system. Transportation planning process

thus, becomes a subsystem, responding to the social and economic forces prevailing in a given urban area.

It is now accepted that traffic and transportation studies are prerequisites to formulation of any large scale investment scheme such as a mass transit system. These studies assist in optimal planning strategies and in evaluating the various schemes for a given area. But a traffic and transportation study cannot remain static in nature and tends to be 'dynamic' in tune with the supra systems implying that the premises of any stage necessitate the review of the work done at the previous stage. Such an endeavour, therefore, implies a study organisation on a permanent footing to pursue the research on a continuous basis rather than producing an *ad hoc* document and winding up the business.

The organisation receives guidance and control from a duly constituted committee composed of representatives from various government bodies concerned with the subject, highway department, professional agencies, representatives, nominees from the legislature, from state municipal bodies and public utility organisations. The following may be the broad objectives of the organisation so constituted :

- (i) to identify the transportation needs, along with determination of macro level policy network to resolve the needs;
- (ii) to determine the transportation planning processes in tune with the identified strategies; and
- (iii) to provide guidelines for the implementing agencies in the matters of traffic and transportation.

Once set up, the organisation may proceed with the analysis of current policy decisions through separate task groups, such as, policy groups, planning groups, etc. These committees generally coordinate the non-technical public policies, and undertake the responsibility of familiarising the proposals with public through their leaders, in order to select and recommend a final plan for approval.

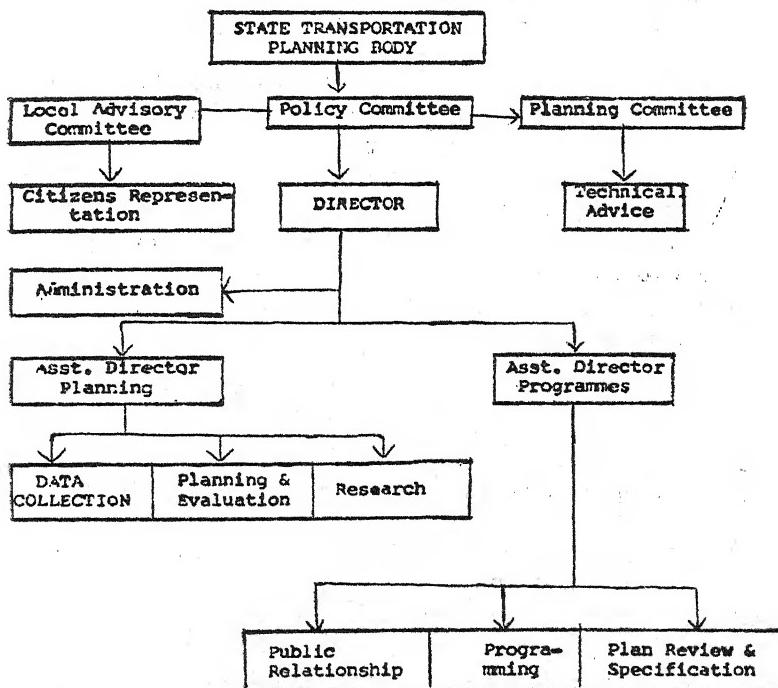
Transportation studies may be administered through a variety of ways, for instance :

- (i) A centralised transportation planning organisation at the state level : The centralised organisation at the state level tends to be a part of the state government with objectives set at state level goals. A typical organisational flow chart is shown in Chart 1.
- (ii) Study level agency, with partial autonomy : The study level agency is an autonomous body established by Central or State Governments in order to study and evolve a suitable programme with respect to a particular area. Its scope and

objectives relate only to the study area concerned. Each metropolitan city may have such an organisation.

- (iii) Regional planning commission : Regional planning commissions are formulated on regional basis as a part of integrated planning programmes coordinating various state efforts.
- (iv) Consultancy methods : Consultancy method is a procedure by which plans are prepared through a consultancy agency by contract system. Specific technical aspects can be investigated by specialist bodies to derive fullest benefit from the technical expertise developed. Comprehensive traffic and transportation plans have been prepared in India for the cities of Bombay, Calcutta, Delhi, Madras, Bangalore and Ahmedabad mostly through consultancy method.

CHART 1



After the determination of organisational infrastructure the 'study' itself may be initiated. This phase involves actual plan preparation and includes the following objectives :

- (i) to develop a transportation plan of various systems on an integrated basis, consistent with the community needs.

- (ii) to prepare a plan of dynamic nature to reflect the changes and to accommodate unanticipated growth patterns; and
- (iii) to analyse transportation and land use plans and identify operational considered interfaces.

The general design of the study may comprise the following steps :

- (i) problem definition;
- (ii) identification of possible solutions;
- (iii) systematic evaluation; and
- (iv) identification of strategies of implementation.

The most important element in the processes of problem identification as well as search for solutions is the explicit recognition of cascading effect or objectives, i.e., the objectives of urban planning as well as the strategy for achievement are to be set forth within the broad goals to be achieved.

The cascading effect may embrace the following :

- (i) ensuring proper deployment of basic employment potential throughout the given urban area, for achieving compatibility between housing and employment;
- (ii) developing a viable humans of achieve employment centres compatable with population;
- (iii) minimisation of adverse effects of future developments on environment; and
- (iv) optimisation of impacts of future development of the existing area.

Thus, the data derived through the urban strategy planning becomes input to the evolution of integrated urban transport systems planning and to establish 'standards' for development.

The following could be some of the 'Standards' so evolved :

- (i) development of a transportation system that can cater to all socio-economic groups;
- (ii) evolving a transport network that has satisfactory environmental impact; and
- (iii) minimising system costs and provide safe operation, etc.

The next in series to formulation of 'Standards', is development of suitable units of measurement for appraising the objectives. Unfortunately, not all the objectives can be measured in terms of market values; this difficulty leads to the tendency of neglecting those objectives that cannot be measured, such as social benefits and pollution impact, etc.

The next phase in the series could be the stage of solution generation. The main aim of this phase may be to generate a set of alternative solutions that satisfy the prescribed goals and objectives without violating the constraints. A heuristic approach is normally suggested; with each cycle starting with formulation of standards for each policy to be tested. After each cycle, conclusions are drawn to ascertain which aspects of the alternatives should be considered further in next cycle. In considering the various alternatives, a whole range of available alternatives including short and long range plans, regional changes down to individual facility systems must be explored.

The evaluation state comprises of scientific prediction of systemic performance in future, with the given stage of environment, and identification of an alternative system that can satisfy the objectives to a maximum extent.

The implementation phase provides the strategy for implementing the chosen plan, through phasing it into viable and short periods on temporal plane.

The Integrated Transportation Planning Process thus, can be modelled in the following direction :

1. Formulation of goals and objectives.
2. Collection of data inputs.
3. Development of mathematical models to relate land-use, population and travel factors.
4. Prediction of input variables and policies.
5. Prediction of future travel requirements.
6. Development of alternative highway, public transportation networks to fit into the land-use and travel patterns.
7. The evaluation and efficiency of the alternative proposals.
8. Implementation details.

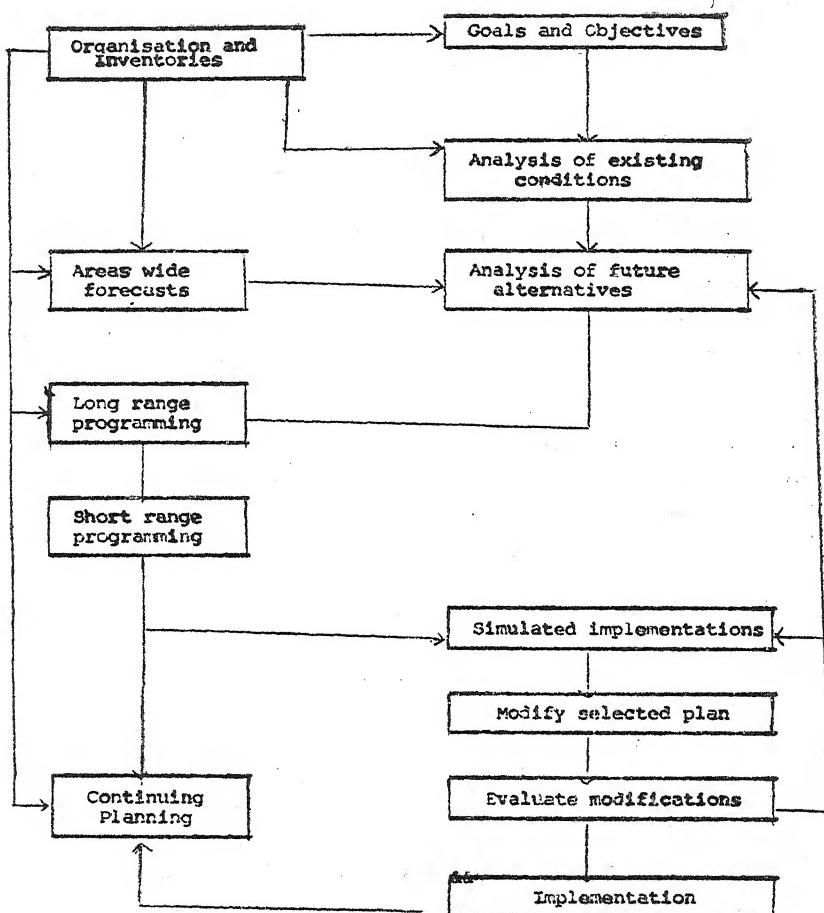
The procedure as recommended by the Bureau of Public Roads is illustrated in Chart 2. An important part of the transport planning process is the travel demand forecasting. Although large number of approaches are now available for this purpose, the Lowry Model—the traditional urban transportation planning package—is the most popular in use.

#### **LOWRY MODEL**

The Lowry model has probably generated more interest (and literature) than any other single urban model, and has seen quite a wide variety of users.

The Lowry model introduces two major innovations into the urban

CHART 2



modelling field. First, it incorporates within its structure both a forecasting and an allocation procedure. Second, it relates the three elements of urban system together within a single model-framework. The model takes what 'Lowry'—the proponent of the model assumed to be the three major components of metropolitan area—Population, Employment and Means of Communication between them (*i.e.*, transport network as represented by journey time) and describes the interaction between them, and the way these interactions determine urban change. The levels or activities in the Lowry model are determined primarily by the economic base.

The essential ingredients of the Lowry construct are that the location of residences is a function of the location of employment and the trip making behaviour of employees. In general, this procedure

involves the use of the existing locations of employment, and assumptions about the work trip behaviour along with a measure of their spatial distribution of the residences of the employees. The model also contains a procedure for the location of the retail commercial employment.

The function of household spatial allocation in the Lowry model is quite simple being solely reflective of the accessibility of the potential residential locations to employment. The function asserts that the number of households located in a particular zone, is directly proportional to the sum of employment in all the surrounding zones weighted by a coefficient of the distance between each of those zones.

The allocation is subject to two external constraints. First, the sum of all the households in all the zones must be equal to a given regional total. Second, the density in terms of the households per acre may be constrained to be below certain predetermined levels in certain zones. The distance function used in the Lowry model is simply a negative exponential function of the straight line-distance between the zones.

The operation of the Lowry model in essence, generates an instant metropolis. Given the exogenously provided distribution of basic employment, the model allocates the population and non-basic employment to the various zones of the region. The allocations represent an equilibrium situation which (assuming the model to be correct) would eventually come to pass if all other factors had remained constant while the equilibrium was being achieved. Consequently, the model is not and never purported to be an actual forecasting procedure. This is because it is not possible to associate points in real time with models solution would come to pass. Actually, the solutions produced by the model bear strong resemblance to reality or to anticipated reality and as such the model provides useful insights into urban spatial processes and also opens the way to a great deal of further research.

#### *Model Treatment*

The Lowry model conceives urban activities in terms of three broad categories which are :

- (i) basic employment;
- (ii) the service employment; and
- (iii) the household sector.

The basic employment is usually defined as employment in those industries whose products are sold principally in markets external to the region under study. However, this definition cannot be interpreted literally and the important criterion is that the location of basic

employment within a region is essentially independent of the population distribution within the region. Examples of basic industries are the various primary sectors, manufacturing units, national financial institutions, universities and other tertiary sectors and so on.

In contrast to basic employment, population serving employment location, is highly dependent upon the population distribution. Retail trade, personal services, elementary and high school employment are examples of population serving employment.

In the Lowry model the spatial distribution of basic employment is allocated exogenously to the model and the spatial distribution of households and population serving employment are calculated by the model. The zonal allocation rules for both households and population serving employment are specified within the model structure. In addition the constraints on the maximum number of households for each zone and the minimum population serving employment thresholds for any zone are specified. Thus, the urban transportation planning can be a deliberate and scientific process, rather than, the result of a 'trial and error' approach. □

# *Private Sector and Urban Housing Markets: A Case Study of Ahmedabad*

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THE PRIVATE sector has been a major contributor to total investment in housing in the country. During the period 1950-80, the private sector's investment in housing has been more than four times that of public sector's investment.<sup>1</sup> The differential increased over time. During the Sixth Plan period (1980-85), the private sector's expenditure on housing was estimated to be Rs. 18,000 crore compared to Rs. 2,114 crore of expenditure by the public sector.<sup>2</sup> Thus, the share of private sector in total investment expenditure on housing during this period was as high as 89.4 per cent. For the Seventh Plan period (1985-90), whereas the planned public outlay on housing stands at Rs. 2,458.21 crore, the private sector is expected to invest an amount of Rs. 29,000 crore on housing.

It is evident from various statements made in successive Five Year Plans that the government expects the private sector to shoulder the major responsibility of providing housing in the country.<sup>3</sup> These expectations, however, are not based on any realistic evaluation of the capacity and/or willingness of the private sector to invest in housing<sup>4</sup>. Nor is any significant effort made at the political level to

<sup>1</sup>Government of India, *Sixth Five Year Plan*, p. 390.

<sup>2</sup>Government of India, *Seventh Five Year Plan*, p. 293.

<sup>3</sup>The plan documents assign a much more significant role to private than to public sector in housing. "Thus given the overall resource constraint and more competing claims on public resources, the vast majority of additional housing in urban areas will have to be met from private resources" (*Seventh Five Year Plan*, p. 392). The same view is reiterated in the Seventh Five Year Plan.

<sup>4</sup>Thus the estimates of expected investment of Rs. 29,000 crore in 1985-90 by private sector on housing are arrived at by a very crude methodology. The projections for this period are based upon estimate (made by Central Statistical Organisation) of gross fixed capital formation in residential buildings by private sector in 1980-81. These figures (for 1980-81) were projected for the year, 1985 and 1990 assuring an average rate of growth of 10 per cent per annum. No justification for choosing this rate of growth for the period has been provided by Planning Commission.

encourage the private sector to invest in housing. From time to time, various policy measures are adopted on an ad hoc basis, to regulate the working of private sector. These policies are based on an insufficient knowledge about the behaviour and expected response pattern of the private sector. Such a knowledge is a prerequisite for designing any policy which would have some chances of success.

The organisation and experience of private sector in house building will vary over different regions. There are, however, bound to be more similarities than dissimilarities in this respect and case studies can provide important insights into the process of operation in this sector. We take up the case study of working of private sector in housing market in a growing metropolitan area, namely, Ahmedabad.

Ahmedabad has a dominant and thriving private sector in housing. We attempt to analyse some aspects of the working of private sector in the housing market of the city. The aspects studied relate to the socio-legal-economic environment in which the private sector operates, the process by which housing is produced by this sector and the various constraints it faces in this process. The paper is based on interviews with a few prominent developers of the city.

This paper is divided into four sections. Section I defines the scope of our study and describes the environment in which the private sector operates. Section II discusses the organisational framework and the *modus operandi* of the developers. Section III is devoted to analysis of various constraints and problems faced by the developers, and in Section IV we take up one specific problem, namely, low cost housing and developer's role in providing such housing in the city.

## I

### SCOPE OF THE STUDY

Our study is confined to one segment of private sector, viz., organised private sector. Before proceeding, we define this segment in the context of Ahmedabad's housing market.

In Ahmedabad, the private sector incorporates :

1. individual (owner) builder who buys a plot of land and builds house for himself; and
2. developer who organises housing activity as a business

The owner-builder who builds or gets the house built for himself is usually a one-time entrant in the market. With the current plethora of rules and regulations, house building has become quite a tedious job and requires an expert's handling. Most of the

individual-owners are not equipped with the right type of expertise for carrying out this activity. They have typically four options available: (i) to hire a contractor to manage the bureaucratic jungle as well as take care of other details (such as purchasing materials and general supervision of construction), (ii) purchase house in a scheme floated by a developer, (iii) buy a house in a Gujarat Housing Board (GHB) scheme, and (iv) become member of a cooperative housing society.

We believe that most of the housing in the city is provided by private developers and cooperative housing societies. These two are not mutually exclusive categories. Even though under the Gujarat Cooperative Societies Act, 1961, the role of promoter has been illegalised, most of the private developers operate under the cooperative umbrella. This is done mainly by taking advantage of the credit/loan facility provided by Gujarat Cooperative Housing Finance Corporation, (GCHFC). Apart from other things, this raises the issue of definition of this sector—whether to define it as private or the cooperative sector, more so, since at least 60 per cent of the operations of private sector are carried out through cooperative housing mechanism.<sup>5</sup> For purposes of our analysis we define these operators as part of the private sector.

Private sector is the major contributor to the city's housing. Though the contribution of public sector has increased from 3.3 per cent in 1961 to 10.2 per cent in 1981, approximately 90 per cent of housing stock still belonged to the private sector. This stock includes various housing types like poles, chawls and hutments. Even if these are excluded the private sector still accounted for more than 70 per cent of total housing stock.<sup>6</sup> This included the housing provided by individual owner as well as by organised developers. As noted earlier, the complexities of getting a house built would probably discourage many individuals to enter this field. The organised private sector would be the major provider of housing in Ahmedabad. In recent years the environment in which the private developers have been operating has not been very favourable to them. We discuss the same in some detail, in the following paragraphs.

#### *The Economic Scenario*

Ahmedabad had a booming housing market from 1960 to almost till 1975. In 1975, the emergency and in 1976 the Urban Land (Ceiling and Regulation) Act (ULCRA) put brakes on the pace of growth of this market. The boom started in 1960 when Ahmedabad became

<sup>5</sup>See Chetan Sompura, *Residential Structure and its Evolution: A Historical Analysis of Ahmedabad City*, unpublished dissertation, School of Planning, Ahmedabad.

<sup>6</sup>Ibid.

the capital of newly founded State of Gujarat. It did not peter out when the capital was shifted to Gandhinagar in 1982. The Economic base of Ahmedabad did not rest on administrative services but on industry. Textile industry was the foundation on which Ahmedabad had built since 1860 when the first textile mill was set up in Ahmedabad. In recent years diversification of industrial structure to chemical and engineering industries had strengthened this base. Since 1984, the textile industry has suffered various setbacks leading to closure of 14 (more than 21 per cent) of total existing textile mills in the city in 1984-85. This has seriously affected the economic base of the city, with repercussions on most economic activities including real estate activity. The Anti-Reservation Riots (February 1985—August 1985) has a further dampening effect on the city's housing market—though not on all parts of it equally. In fact riots led to revival of demand for houses in suburbs and peripheral areas. Since the intensity of riots was the greatest within the core city area (anticipated) exodus from the city to suburban areas brightened the prospects of housing market in these areas. Fearing this exodus and its psychological impact, the state government banned transfer of property in the city area. Further, the prices of properties in the core city area fell to such an extent that most of the people, who were planning to purchase house in the suburbs out of the sale proceeds of their existing house in the city, had to give up their plans. As the situation improved, public memory being short, the much dreaded exodus did not take place—nor did the much expected revival. The scarcity of credit for housing has worsened the situation still further. At present, there is a definite slack in the market.

Apart from decline in demand for houses for self-use, the speculative and investment demand for houses also declined. Until few years ago (prior to 1982) this component (speculative-investment) of total demand for housing used to be as high as 25-33 per cent. In post 1984 period this has become negligible. Three reasons can be put forward for this decline: (i) emergence of attractive investment opportunities in the share market; (ii) decline in expected capital gains from investment in residential property; and (iii) legislative enactments (like amendment 269 AB to the Income Tax Act) which made benami deals and investment of black money in property more risky.

In Ahmedabad, the attraction for investment in real estate is mainly due to high expected capital gains from the resale of the property.<sup>7</sup> The resale activity has not remained as profitable any more.

<sup>7</sup> Investment in housing to obtain regular returns by renting out has not been as popular in Ahmedabad due to the application of Rent Control Act. The Act not only pegged the rents at artificially low levels but also through its various other provisions made renting a rather unattractive proposition.

The prices of houses in the past three years (1982-85) have been rather stable and in fact have shown some decline in a few areas. The present level of prices of houses is quite high and the expected rate of growth in these prices is quite low. This combination of factors is not conducive to attracting investment in houses in the city.

The slack in the housing market is not uniformly distributed over different submarkets. The areas to the west of river Sabarmati and posh housing is least affected. Similarly, slack in demand is the least in case of flats and for built-up houses. Due to increasing gestation lags between initiation of houses and their completion the consumers prefer to purchase house from the shelf, (so to speak) of which there is ready supply available in the market.

The sluggish activity in the market is also attributable to excess supply which was a consequence of hectic activity in the housing market in the wake of exemptions given under sections 19, 20 and 21 of Urban Land (Ceiling and Regulation) Act. The developers in their anxiety to take advantage of the exemptions (the time limit was prescribed) purchased lands all over the city and fringe area and started construction. As the potential supply was increasing, demand as a result of various exogenous forces mentioned above, plummetted leaving the market in a state of confusion. The market could be activated if prices were to decline to a level where demand would pick up. The downward rigidity of prices has led to a stalemate in the market and activity at present is at a low ebb.

The low activity in the housing market can be explained only partially with the help of economic factors. The various Acts which have come into force since 1975, too have contributed to this sluggishness to a large extent.

#### *The Legal Scene*

Uptil around 1975 the only Acts which had some impact on the development of housing in the city were the Town Planning Acts (including building bye laws), the Rent Control Act and the Vacant Land Act. The Vacant Land (Prohibition of Alienation) Act was in force for 3 years from August 1972 to August 1975 and had a drastic short-term impact on developments in the area. In 1976, ULCRA was enacted. This Act banned the transfer of all properties above 1000 sq. meter. Everyone holding land in excess of 1000 sq. meter had to 'declare' the excess land and the government was empowered to acquire the surplus land. The price of land in the different areas (depending on the distance from the centre) was fixed. In Ahmedabad the prices ranged from 50 paise to Rs. 10 per sq. meter. The prices were much lower than those prevailing in the market at that time. This encouraged black money deals in the market. To curb this practice an amend-

ment (269 AB) to the Income Tax Act was introduced in July 1982. This amendment provides for compulsory registration of transactions entered into on or after July 1, 1982. Further, the government reserved the option to acquire any undervalued property at the deed price plus 15 per cent. Since no action under this has been taken as yet, the threat is more psychological than real. The black money deals continue though the proportion of black money has declined somewhat.

Prominent among the other Acts which affect the land and housing market are Property Tax Act, Capital Gains Tax Act, Gujarat Cooperative Societies Act, Bombay Flat Owners Act, Stamp Duty Act<sup>8</sup>, etc.

These laws or recent amendments in them have had a dampening influence on the housing market activity in the city. The developers have resorted to various 'methods<sup>9</sup> to minimise the impact of these legal factors on their activity'. This has affected their image in the society.

#### *The Social Environment*

The social image of developers is not too high. The bureaucracy and the masses tend to look down upon the trade as well as the operators in this field since they tend to see these developers mainly in the role of 'exploiters'. The developers are quite incensed with this attitude and would like to improve their image—though not at the cost of their profits.

The developers avoid/e evade taxes at various stages of their operation, pay corruption money to the officials to get their jobs done. They, however, do not look at these activities as either illegal or anti-social. This, however, is part of the changing value systems in the country. To quote from an observation in a national daily, "There was uneasiness among those who bribed and shame amongst those who received the bribe. By mid 1975 there was little sense of dishonour".<sup>10</sup>

The developers belong to the new class of rich whose behaviour is so aptly described in the above quoted article. Most of them have acquired sudden riches only in the post 1975 era. This is seen in their life style, their posh offices and houses. To quote further from the same article, "As for the values, behaviour and world view of the new class, its most striking characteristic is its drive. These people are making things happen. That they go about it in an uninhibited, pragmatic and a moral fashion is also true. They have had to fight to rise up from the bottom and they have learnt to manoeuvre the system of

<sup>8</sup>There are quite a few others which affect the real estate activity indirectly.

<sup>9</sup>We will discuss these at some length in subsequent sections of this paper.

<sup>10</sup>Gurcharan Das, "A New Rich Class is Born", *Times of India, Sunday Review* December 1, 1985.

licences and permits and negotiate through the shoals of our labyrinthine bureaucracy. It is easy to despair over the vulgarity, the new rich mentality and the lack of education of the new class, but we must remember that India's future depends on the energy of this new class.”<sup>11</sup>

This is true to quite some extent of the developers too. Despite the suffocating impact of ULCRA they have made things ‘happen’ in the housing market. In the process they have bent laws, lined the pockets of bureaucracy and indulged in various other illegal practices. But the houses which they have provided are qualitatively superior to ones provided by public sector and quantitatively much higher. This is not meant as a defence of the private sector. Nor are we justifying the practices indulged in by them. The cost of housing provided by them in relation to the average income of the household in the city is definitely very high. Further, they do exploit the consumers and dupe the bureaucracy. The fact, however, remains that but for them, the housing shortage in the city, in sheer quantity terms, would have been much worse. Also, with limited financial resources and multiple demands on these resources, the public sector probably cannot do much more even in future.

There are two different types of questions which arise in this context. One is provision of housing to various groups of population at reasonable prices and second the system in which this housing is provided. Assuming that the system will not change drastically over next 15 years, what conditions should be created that the private sector fulfils the role assigned to it in our housing policy? To find an answer to that, we have to understand the working of the private sector and its various market and non-market events in the past. In the following paragraphs, we attempt to do just that.

## II

### PRIVATE DEVELOPERS: ORGANISATION OBJECTIVES AND PROCESSES OF OPERATION

The precise number of organiser-developers operating in the city and agglomeration is not known. There is a Real Estate Developers Association in the city (established in 1980). Membership, however, is not compulsory. Further, there is no registration required or licenses needed for operating in the housing market. According to one estimate, approximately 70-80 per cent of the developers operating in the city would be members of this association. In January 1986, the

<sup>11</sup>Gurcharan Das, “A New Rich Class is Born”, *Times of India, Sunday Review*, December 1, 1985.

membership stood at 450.

The size distribution of developers is heavily biased in favour of small operators. The ratio of large, medium and small operators, as quoted by a developer in the city, is 1:8:12.<sup>12</sup> The organisational infrastructure and average turnover of these developers vary a great deal. A small operator would normally handle one project at a time, have no office or full-time staff. He might employ a part-time accountant and supervisor. His yearly turnover would be limited to Rs. 5-10 lakh. A medium operator may have a small office, a staff of one accountant and one or two supervisors. He may handle 3-4 projects at a time and his annual turnover may range between Rs. 25 to Rs. 40 lakh. A large developer-organiser at a point of time could be involved in as many as ten projects costing as much as Rs. 10-15 crore. He will have a full fledged staff consisting of 5-10 supervisors, 4-5 accountants, etc. His annual turnover would be in the range of 1-5 crore. Majority of the developers, as noted above, do not operate on such a scale.

The area of operation of most of the operators is quite small—limited to the locality in which they have been building for years.<sup>13</sup> Even when they have shifted to locations outside the Ahmedabad Municipal Corporation (AMC) limits, these have been adjacent to the existing areas of operation. There is, however, no monopoly (even in the small geographical area) and there is no restriction on entry. Entry in fact is quite easy, since almost anyone can enter—no minimum qualifications are necessary, no registration fee is to be paid or membership acquired.

Despite the large number of suppliers the market cannot be described as a perfectly competitive market. This is due to the heterogeneity of the 'commodity' produced and transacted. The old developers have established a reputation over years and are able to sell all they produce at prices determined by them. The differential in prices between the housing provided by them and others is explained away in terms of better quality of product—true or fictitious. The importance of human element and trust factor puts the new entrants at a disadvantage.<sup>14</sup> The market at best can be described as oligopolistic in nature. For each submarket (geographical area) there is a leader. There is no explicit collusion between the leaders of various submarkets.

<sup>12</sup>There is nothing sacrosanct about these figures. They, however, do give an idea about the size distribution of building industry in the city.

<sup>13</sup>Some do take up projects in other small towns of Gujarat.

<sup>14</sup>Purchasers of houses, in the initial stages of construction, have to part with large sums of money for which no receipt is provided by the developer. This is due to the black money component in the total deal. The purchaser would not part with the money unless he trusts the developer.

kets in determination of prices. But apart from differences in prices due to locational factors, the prices of residential properties per square foot do not vary much over areas.

#### *Objective Function of the Developers*

The private developer is a businessman and like any other businessman, his objective is to maximise his profits. Over time many other secondary objectives might get added to this one. We observed, during our interviews with developers, that the developers who have been in the field for a long time (say 10-15 years) and have amassed fortune out of their business, had multiple objectives. They admitted to having a single objective, viz., profit maximisation in the early stages of their career. But now, having established themselves and ensured financial stability for themselves and their family, they would like to improve their social status. The other objectives mentioned were—improving the image in the society, fulfilling some social need and 'doing something' for the poorer sections of the population.<sup>15</sup>

Profit in real estate activity is a function of location, type of development and market condition. As mentioned above, each developer operates in a very localised market. His profit maximisation exercise is constrained to that extent. Even if he is aware of higher profit making opportunities in locations other than his immediate 'area of operation', his unfamiliarity with these will lend a great deal of uncertainty to his 'awareness'. Finances can prove to be another constraint.<sup>16</sup> The developer being familiar with his area, would know intuitively the type<sup>17</sup> and quantum of residential development required and the expected price the housing unit will fetch in the market. His calculation of anticipated profit is based on the expected values of these variables.

The location of 'development' and type of 'development' are interdependent choices. The developer normally does not have un-

<sup>15</sup>We, however, believe that profit maximisation continues to be the primary objective—seen not in the context of each project individually but in totality for all projects taken together. This could be judged from the response of developers when probed about how they intend to operationalise these objectives. The developers would be willing to take up socially beneficial projects on 'no profit-no loss basis', provided they are given various incentives like income tax rebate, free land, etc.

<sup>16</sup>The rate of profit, quite often is a function of amount of investment. The access of developer to the capital market being limited, amount of investible resources available with him acts as a deciding factor in locational choice.

<sup>17</sup>By type, we mean not only physical typology of housing (viz., tenement, row houses, flats, etc.) but also housing catering to different income groups. The variables in this case (housing for different income groups) will be mainly size, specifications and design.

fettered freedom to choose any location even within his own submarket. The availability of vacant plots acts as a binding constraint. The choice of type of development follows. If, however, there is free availability of land in the market, he will choose the combination (location any type) which gives him the highest profit.<sup>18</sup>

### *The Process of Development*

After having decided the location of development, the developer has to go about acquiring or purchasing that piece of land. If the land is agricultural, he has to procure NA (non-agricultural) status for the land.<sup>19</sup> This is followed by attempts to get NOC (No objection certificate) for building on the land, permission from the competent authority (henceforth referred to as CA). The developer then prepares the plan of development and submits it to the CA which sends the plan to Superintendent Engineer. If it crosses this stage, the plan is submitted to the AMC (Ahmedabad Municipal Corporation) or to AUDA (Ahmedabad Urban Development Authority depending on whosoever jurisdiction it lies in) for checking whether it complies with building bye laws and zoning regulations. The Plan then travels back to the Superintendent Engineer and thereafter to CA. The CA then writes to all government bodies to check if anyone is interested in that plot of land. Only after getting a negative reply from all of them, the plan is finally approved and an NOC is granted to the builder. The Plan then has to be resubmitted to the sanctioning authority (AMC or AUDA). During the period elapsing between the initial submission of the Plan, and granting of different permissions, various changes might have taken place in the Town Planning schemes or general economic conditions necessitating change in the Plan. If the Plan is changed, it has to be resubmitted and the whole process has to be gone through once again.

Even after all the permissions have been granted, the CA reserves the right to review the decision any time in future. There is no time limit mentioned for this review.

The process outlined above is not only costly in terms of time consumed but also requires payment of official and non-official dues

<sup>18</sup>His calculation of profit will be based upon expected costs and revenues from the different combinations. He will also take account of expected variations in these over the time of projected completion.

<sup>19</sup>After the introduction of ULCRA acquiring a piece of land or getting NA has not remained a very easy job. Later in this paper, we discuss the various problems faced by the developer in purchasing land.

NA permission is granted according to provisions of the Bombay Land Revenue Code 1879 (Section 65) by the Collector. The applicant is charged a penalty for converting land to NA use. A special NA assessment is also levied under Section 48 of the Land Revenue Code. Further, a once for all conversion tax of Re. 1 per sq. m. was also charged.

at every stage. The official dues, except in case of stamps duty (charged at the time of transfer of land) are very marginal. It is the unofficial dues (or corruption charges) which<sup>20</sup> make for 5-10 per cent of the total cost of the project. For a piece of land costing Rs. 250 per square yard (official price being Rs. 25), the revenue authorities would take as much as Rs. 100 per sq. yd. for giving NOC permission. In fact, like the 'farmer' status NOC and NA permission also have become marketable commodities which are bought, sold and resold in the market. Quite a few developers, who had acquired such permissions in the wake of ULCRA, have been selling them in the market.

The time consumed for getting NOC, according to the developers we interviewed, can range from 2 to 5 years and for getting the final sanction from 10 to 12 months. During the initial periods of submission of plan, the developer has to go to the office of CA almost every day. "The main business is to get the permission, construction is secondary".<sup>21</sup>

Most of the developers build under the cooperative umbrella.<sup>22</sup> The major reason being availability of finances on soft terms. The next step in the process of development after the Plan is finally approved is formation of a cooperative housing society and application to Gujarat Cooperative Housing Finance Corporation for loan. At this stage, most of the members in the Housing Society would be fictitious names or names of the developer's friends and relatives who will let their names be used at the instance of the developer and will withdraw at a later stage.<sup>23</sup> A minimum of ten members are required to form a Cooperative Housing Society. Once the loan is granted, the developer invites members from the public. This is done through advertisement in local newspapers.<sup>24</sup> The purchase of land is financed

<sup>20</sup>According to developers, it is in the transfer of land and getting NA/NOC that maximum money has to be paid.

<sup>21</sup>Statement made by a prominent developer of the city.

<sup>22</sup>The developer also saves on stamp duty by building in the name of a Cooperative society. The stamp duty is to be paid to the state exchequer at the time of transfer of land since in the case of Cooperative Society, the society continues to be the owner, no stamp duty was chargeable from members who were allotted the flats. This provision has been changed and now members have to pay a stamp duty of 4 per cent. The normal rate for transfer of property is 8 per cent.

<sup>23</sup>The developer reported that the procedure for registration of Cooperative Society was not very simple. The relevant authority verifies if the members listed in the first place exist or not by personal visits at the addresses listed. This has introduced another avenue for corruption.

<sup>24</sup>Few years back (upto say 1983) when the land market was booming, the developer was also to sell all his plots in a few hours. At present, with the slack in the market, he considers himself lucky if he can sell 25 per cent of the houses before construction starts, 50 per cent by the time the structure is complete and 75 per cent after all the facilities have been provided and project is complete.

from the first instalment from the buyers.<sup>25</sup> The construction starts and at completion of each stage, GCHFC distributes loan in instalments.

Apart from using cooperative housing as a medium of organising housing activity, some of the developers organise some of their projects in the form of NTC (Non Trading Corporation). Even this form of organisation has been declared illegal.<sup>26</sup>

As noted earlier, the developers resorted to cooperative mechanism to avail of the finances which GCHFC makes available. But for the availability of credit on such soft terms the demand for housing might not have been as high. The project catering to the demand for housing of upper income groups do not require the credit as much and such projects are organised under NTC by developers. Individual members can arrange for loans from HDFC, or from their own sources. HDFC (Housing Development Finance Corporation) offers loans to individual members for a period of 15-20 years. The rate of interest varies according to the quantum of loan. Some of the private financing companies also offer loans of around Rs. 50,000 for short term (upto 10 years) at a rate of interest of 15 per cent (or so) per annum. Credit is also made available by cooperative banks to individual members of a cooperative society (as bridge loan or otherwise) or to NTC for a period of 10 years.

The proportion of developers' own investment to the total project cost varies from project to project and for different developers. Some developers (as noted in footnote 25) do not invest more than 10 per cent of the cost of land in the entire project. There are others who purchase land out of their own funds. Further in cases where even after sanction of the loans the disbursal does not take place in time,

<sup>25</sup>The organisers normally invest very little of his own money in the 'business'. Even purchase of land is not finalised and money paid till he gets the instalment from the buyers. He pays just 10 per cent of the total purchase price agreed upon and gets into a *banakhat* deal with the seller. 'Banakhat' implies an agreement between the prospective buyer and seller under which both agree to transact the commodity in question, *viz.*, land at prices stipulated in the agreement. Banakhat normally holds valid for a period of 5 years.

<sup>26</sup>The Bombay Non Trading Association Act (1959) under which the developers had been organising building activity in Ahmedabad, was intended for carrying out some common activity. There are two important advantages in organising under NTC vis-a-vis cooperative system. First one relates to the minimum required number of members which is seven for NTC as compared to Ten for that of cooperatives. The second advantage is pecuniary. The members of NTC do not have to pay any stamp duty on flats owned by NTC (and transferred to members). This organisational form became even more popular after 1981 when the cooperatives started facing problems. In 1985 NTC as an organisational form was banned for blatant misuse of its intent and provisions.

the developer invests his own money to complete the construction. The amount of loan given by GCHFC does not exceed Rs. 30,000. Rest of the amount is either provided by the client or the developer himself. The developer does borrow from the market. The rate of interest (according to the developer) ranges between 18 to 30 per cent. In fact there is no organisation or institution which provides credit to the private developer.<sup>27</sup> Neither can he borrow from the banks or from any other financial institution. The developers can organise themselves in the form of a private limited company and raise money from the market by floating shares. This, however, they do not wish to do despite the fact that turnover of many of these organisers is high enough to make it feasible to take up such a course. Most of the developers organise their business on individual proprietorship or partnership basis.

#### *Construction*

After land and finance have been arranged somehow and various permissions have been obtained, the builder can start construction. Till around 1982, there was great scarcity of construction materials in the market. Builders normally kept an inventory of materials to take care of the uncertainty. But the construction can be held up in the middle just as much for non-availability of materials as for non-availability of finance. The situation relating to availability of materials has improved considerably in the past 2 years. The cost of these, however, has increased significantly.

Once the shelter structure is complete and obligatory (planned) roads and other facilities provided by the developer the next step is to obtain drainage, sewerage and water connections if the area lies within the jurisdiction of the AMC.<sup>28</sup>

The procedure for this is very well laid down and, according to developers, requires neither much 'leg-work' nor excessive expenditure of money. Ahmedabad electricity company provides electric connection. AMC is then approached for giving the completion certificate. The developer hands over the completed houses to members<sup>29</sup> and the project is complete.

<sup>27</sup>HUDCO (Housing and Urban Development Corporation) initiated scheme under which the private developer could apply (to HUDCO) for financial assistance. The condition was that 50 per cent of the funding should be earmarked for EWS and LIG houses for which exemptions had been granted under sections 20/21 of ULCRA.

<sup>28</sup>In the areas where such facilities are not made available by public authorities, these are provided by developers at the community level in the form of septic tanks and tubewells.

<sup>29</sup>Many developers do not hand over the houses to members till they pay the last  
*(Contd. on next page)*

## III

## PROBLEMS AND CONSTRAINTS

In the process of organising house building, the developers face various problems. The problem of availability of land, finance and procedural complexities were cited by the developers as the most irksome of the problems. The Urban Land (Ceiling and Regulation) Act was singled out as the piece of legislation which had created maximum problems on all sides. This Act has been blamed for making land inaccessible to developers, making procedures unintelligible to them and increasing the involvement of black money in the business.<sup>30</sup> Due to the last factor, the entry of qualified and educated people in the industry has been restricted. In the past few years, the new entrants have mainly consisted of people with access to black money.

*Availability of Land*

A developer in Ahmedabad can plan to purchase land in : (i) the city area; (ii) the suburbs; (iii) areas lying outside AMC limits but within the jurisdiction of ULCRA; (iv) areas lying outside AMC and ULCRA limit, (v) in Garmthal. Of the above, leaving aside, and (vi) the rest of the areas fall within the jurisdiction of the Urban Land Ceiling Act (ULCRA). The availability of land within the ULCRA limit is extremely limited.

In the following paragraphs we describe the mechanism through which lands were acquired by the developers in the post ULCRA period.

The Urban Land Ceiling Act came into force in Gujarat in February 1976. Its area of jurisdiction included areas lying within 5 kms. of Ahmedabad periphery. Under the Act, no person was permitted to hold and/or transfer more than 1000 sq. m. of land. The excess land was to be declared as surplus and liable to be acquired by the government. The acquired land further was to be offered to public bodies like GHB (Gujarat Housing Board) GSCB (Gujarat Slum Clearance Board) AMC, AUDA or other public sector units for their use.

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instalment. Since the developer has no legal standing, he cannot take the members to court if they do not pay. He, therefore, holds back some facility (like water connection) till the last payment is made. This (non-availability of some facility) is also used at the last stage to extract some more money out of the consumers and handing over is delayed till he pays up.

<sup>30</sup>Black money has always played an important role in real estate activity. The Urban Land Ceiling Act, by fixing the price of land at abnormally low levels, inflated its role to a great extent. The non-availability of institutional finance made the trade even more dependent on this source of funds.

Exemptions were granted under Sections 19, 20 and 21 for transfer of land if such lands were to be used for group housing and housing for EWS (Economically Weaker Sections) schemes or in case of hardship cases. The schemes were to be submitted to the Competent Authority (CA) before 1980. The CA was to take action in the form of exempting land or acquiring it itself. The scheme could be submitted only by the landlord himself. Transfers were also permitted if the landlord had executed a sales deed in favour of a cooperative society before January 1976 (the date the bill was submitted in the Parliament) or a *banakhata* was executed before February 1976. The latter transfers were subject to the proviso that lands would be developed for EWS housing.

The developers entered into *banakhata* deals with farmers/landlords in the name of different cooperative housing societies and succeeded in cornering huge areas of land all around the city of Ahmedabad.<sup>31</sup> Schemes for these areas were prepared hastily and submitted to the CA. The developers also submitted schemes (for EWS housing) in the name of the farmer since the same was exempted under section 21 of ULCRA.<sup>32</sup>

The CA took its own time in 'clearing' the schemes.<sup>33</sup> Even after the scheme was cleared, if any public sector units required that plot of land, it had first option on it.<sup>34</sup> Further, the CA reserved the right to review the 'clearance' as and when it felt fit. This provision created lot of uncertainty in the market relating to available supply of land.

Apart from the lands, which continued to trickle in the market as and when the various schemes were sanctioned, the developers could acquire within ULCRA limits in three other ways.

- (i) The developer could purchase plots of land measuring less than or equal to 1000 sq. m. It is possible to organise a

<sup>31</sup> Most of the vacant land over which new housing can be developed lies out side AMC limits. Within the city area, there are very few vacant plots. Further, land lying out side the city is cheaper than the one within AMC limits.

<sup>32</sup> Due to this provision (exemption was given only if the owner who happened to be the farmer in most cases submitted the scheme and since farmers had no expertise in developing land for NA purposes) most of the deals were Benami—the organisers undertaking all the activities from getting NA, NOC, etc., in the name of the farmer. Recently, the Government of Gujarat has published a circular permitting the farmer to take help of the organisers in the development of the Cooperative Housing Society.

<sup>33</sup> For details relating to functioning of the Act please see Kiran Wadhva "An Evaluation of Urban Land Ceiling Legislation: A Case Study of Ahmedabad", *Nagarlok*, Vol. XV, No. 2, April-June, 1983, pp. 76-86.

<sup>34</sup> The developers have been fighting this provision and claim that they have the statutory right over the land if the scheme submitted by them has been found acceptable by CA.

cooperative housing society (the usual mode the developers adopt to organise housing activity in the city) on plots much smaller than 1000 sq. m.

- (ii) A larger society could also be developed if the developer could find a couple of contiguous plots, each measuring less than or equal to 1000 sq. m.<sup>35</sup>
- (iii) Under the Act, there was no ban on transfer of built up property and land appurtenant to it—the maximum area permitted was approximately 2000 sq.m. The loophole here was in the definition of ‘built up’ property. The area was loosely considered to be ‘built up’ even if the building was only upto plinth area. In some cases, even if only excavation was done, the property was considered to have been built up and was exempted under the Act.

The number of plots measuring less than or equal to 1000 sq. m. in the city could not have been very large. So would the supply of such plots contiguous to each other. Same would be the case for built-up properties with areas less than or equal to 2000 sq. m. The areas lying outside the jurisdiction of ULCRA were too far and demand for housing in these areas was rather limited. Even in these areas getting NA permission was not easy. Some cooperative societies did come up in these areas but the residents shifted back to the city after paying one or two instalments. Quite a few farm houses were developed in these areas serving as second houses for the rich of the city.<sup>36</sup>

Thus, on the whole, the supply of land in the city for housing was and continues to be extremely limited. Most of the developable chunks of land lie unused and are unsaleable. According to developers, 70 per cent of the vacant plots in the city are unsaleable.

The developers made use of various loopholes in the Act to overcome the constraint of supply of land and created ‘legal supply of land’ where there was none.<sup>37</sup> Needless to say, this would not have

<sup>35</sup>The Vacant Land (Prohibition of Alienation) Act which was a precursor to ULCRA was much harsher in this respect. Under the Act, the owner could not sell land if his plot made part of a ‘block’ of land measuring greater than or equal to 1000 sq.m.

<sup>36</sup> See Kiran Wadhva, “Developments in Urban Fringe Areas of Ahmedabad: 1961-85”, (mimeo).

<sup>37</sup>Thus, under the provision of ULCRA, if a building is demolished, the vacant land is deemed as falling within the ULCRA purview. The developers found a way out by demolishing only part of the building and putting up a block of houses, then demolishing the rest and developing it in the second phase. Also, at times permission from the authority was taken under the head of Improvements and requisite development carried out under that guise. Even here the supply was limited since the existing property holder would not like to sell, in most of the cases, due to heavy incidence of the capital gains tax.

been possible without the help of very 'capable' lawyers of the city (and helpful bureaucrats). This incidentally, was another 'tribe' (or class of professionals) which benefited a great deal from the passing of ULCRA as it does from passing of any restrictive Act.

The developers blame the ULCRA due to which most of their energies had to be channelised towards acquiring one input—albeit the most important one—of their trade. Of the housing activity in the city did not screech to a halt due to ULCRA, most of the 'credit' goes to the developers who had acquired an inventory of land to sustain them a few years. This stock now is nearing exhaustion. According to the Real Estate Developers Association, the land with individual developers will not last for more than 2-5 years. Thus if the private sector activity in the field of housing is to continue, the government will have to do something about it.

#### *Non Availability of Finance*

One of the reasons the developers organise the housing activity in the form of cooperative housing society, is the availability of finance on easy terms from Gujarat Cooperative Housing Finance Corporation. If finance were not available from this agency, the members would arrange it from their employers, HDFC, or other sources. We have not compared the terms at which these different agencies make finance available for housing but seeing the popularity of finance provided by GCHFC it would seem that the terms offered by this agency were more attractive than those of the others.

If it weren't for credit facilities provided by GCHFC the demand for housing would be even lower. This explains the keen interest the developers have evinced in the financial health of GCHFC. For the past five years this agency, (GCHFC) whose only source of funding is LIC, has been woefully short of funds. According to one estimate, GCHFC has sanctioned Rs. 171 crore of loans for Gujarat which have not been disbursed. Due to this, 1.5 lakh of houses in Gujarat are lying incomplete—more than 50 per cent of these are located in Ahmedabad. The developers have been exploring alternative sources of finance for the corporation. They had been pressurising the state government to permit GCHFC to accept a loan of Rs. 100 crore from a private trust in USA. They seem to have finally convinced the government to let GCHFC float debentures worth Rs. 60 crore to augment its finances.<sup>38</sup> HUDCO also has agreed to come to the aid of

<sup>38</sup>No body, least of all GCHFC, seemed to be questioning the developers' interest in augmentation of GCHFC's finances. This blatant show of interest in face of the illegality of their status and acceptance of this 'interest' by various government  
*(Contd. on next page)*

GCHFC.<sup>39</sup>

Of late, many new agencies and groups have come up to fill the gap left by (failure of) GCHFC. We have referred to these earlier. Some of the big developers in the city are planning to raise finances from the market by floating the shares. If the public response to this is good, it may encourage other developers to follow this lead. The developers, however, are skeptical about the success of this venture. Further, only a few large developers can raise finances in this manner since financial stability and good reputation are two major prerequisites for success in this venture which the small developers do not possess. Thus, the small developers still have to rely mainly on black money for financing their activity. They would like government to declare housing as 'priority' industry and direct banks to reserve approximately 10 per cent of their loanable funds for them.

Whereas one recognises that there is no agency to offer financial help to private sector,<sup>40</sup> one would like to go into the question of 'need for such financial help' and its impact on cost and type of housing provided, before one can recommend the type of financing system required by the private sector. As had been mentioned in the beginning of this paper, the housing provided by private sector is not only unaffordable by the low income but also by middle income groups. The high prices of houses are explained only partly by increasing costs of inputs (especially lands). The more important part is their profit margins which might range anywhere from 45 to 95 per cent on their investment.<sup>41</sup> If the private sector agreed to accept more reasonable profit margins the cost of housing can be reduced to quite some extent. The government has, unsuccessfully so far, attempted to regulate the activities of the private sector. These regulations have only succeeded in increasing the bureaucratic hurdles which the developers have to cross and led to increase in the cost of final good to the consumer. We have referred to these in some detail earlier.

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agencies brings to fore the contradictions inherent in the system. It is the same government machinery which declares these developers' activities illegal which expedites the development organised by them while the genuine cooperative organiser has to face interminable delays in crossing each stage.

<sup>39</sup>HUDCO has sanctioned approximately 5-6 crore of rupees for salvaging operations of GCHFC. This is part of a new policy package of HUDCO towards all Apex Cooperative Housing Societies under which HUDCO will support these agencies in their lending operations for EWS and LIG housing.

<sup>40</sup>According to one private developer, the yearly credit requirement of the private sector is of the tune of Rs. 100 crore. By private sector here is implied organised (formal) private sector developers.

<sup>41</sup>The developers, however, claim that the profit margins range between 20 and 45 per cent. The returns of 45-95 per cent are calculated on the investments made by the developers which in most cases are very small.

#### *Procedural Problems*

The developers recognise that some type of regulatory measures are essential. They, however, fail to understand why these regulations have to be as rigid and restrictive as they are. In this category they put building bye laws, procedures relating to Urban Land Ceiling Act, to get the cooperative housing society registered and in getting NA and NOC permissions. The procedures according to them are so complex that they are neither clear to the developers nor to the official functionaries responsible for enforcing these regulations. This results in unnecessary delays and increase in costs. The increased costs is passed on to the consumer in terms of higher prices of houses.

In section II we have discussed the various issues relating to 'rules and regulations' in some detail. The developers claim that they spend more time and energy trying to get various permissions rather than on their main activity, *viz.*, construction. The revenue department has been blamed for creating maximum problems. In contrast, most of the procedures for getting completion certificate are very well laid out and cause minimum of problems.

Some of the regulations are outdated and are not suited to the modern times. The developers referred to Acts like Bombay Land Revenue Code 1979, Gujarat Cooperative Societies Act 1961 and Land Acquisition Act 1894 which, according to them, are overdue for major revisions. *However, need for any revision* should be assessed from the point of view of total societal welfare rather than vested interests of a particular section of population.

The developers accept that they have twisted rules and adopted various devious means to get their work done. But they blame the system. If they were to follow the rules rigidly they would be out of business (now they are thriving). Apart from the rigidity, etc., of regulations, the developers complain against the negative attitude of the concerned authorities. The negative attitude, according to developers, is not only in relation to developers but also to housing in general.

There is lot to be said for simplifying the procedures and adapting them to current needs of the society.<sup>42</sup> We feel that a debate on this aspect should take place involving all the concerned parties, *viz.*, the developers, general public and bureaucracy to suggest reforms in the system.<sup>43</sup>

The simplification of procedures will go a long way in expediting

<sup>42</sup>At present, the system is so complicated that it is next to impossible for a lay man to get through all the red-tapism and get his house built. House building (in the formal sector) has become an activity requiring considerable expertise in spheres other than construction skills.

<sup>43</sup>A few developers mentioned that they had suggested certain reforms which the concerned authorities brushed away

the various stages in the development process and reduce the role of speed money. These by themselves will lead to some reduction in costs and by removing some bottlenecks, will accelerate the supply of housing too.

#### IV

#### LOW COST HOUSING

Provision of low cost housing, not only for low income groups but also low middle and middle income groups has become one of the major issues confronting the policymakers and planners in the country. In this section, we discuss the role the private developer has played in providing 'low cost housing' to the people in the city of Ahmedabad.

As mentioned earlier, the developer's objective is to maximise his profits. The rate of profit is the highest in building luxury apartments for the high income groups. However, every developer cannot build luxury housing. The initial investment required is heavy. Further, unless the developer succeeds in selling all or most of the units at the time of announcement of scheme (in which case the members arrange for finances themselves) he has to arrange for the finance fully. With the high rate of interest in the market and/or inability of the developer to arrange funds, the proposition finally may not remain as lucrative. Also, as noted earlier, the developers normally do not step out of their market. If there is no demand for 'posh' housing in their area, they wouldn't build such housing.

Thus, due to various reasons, the developers have built for low and middle income groups. By no stretch of imagination, however, can this housing be called affordable for the bottom 30 per cent of the population. The cost of such housing currently varies from Rs. 30,000 to 40,000. The developers have not used any innovations in design or cost reducing techniques in their houses. There has been, until now, enough demand for the type of housing produced by them. There are no 'pull or push' factors operating for them to shift to provision of low cost housing. In fact, most of the developers argue that cost reduction through changes in specifications are not taken kindly by their clients. The clients want cheaper but qualitatively superior (in conventional terms) housing.<sup>44</sup>

Some developers who have built houses for the low income groups (labourers) have had another type of bad experience. They had to

<sup>44</sup>Building of such low cost housing may damage the reputation of the developer. In this business, 'reputation' or 'goodwill' is a very important factor. The developer therefore is wary of trying innovative designs or low cost materials and techniques.

face rude behaviour, dharna and slogan shouting. These developers are not likely to get into the market for housing for low income groups again.<sup>45</sup>

The developers argue that under the existing building bye laws, they cannot provide housing costing less than Rs. 20,000 or so. The developers have, not only not provided houses for low income groups, they have failed in providing housing for the middle income groups too at reasonable prices. The price of housing is so high that even the middle and upper income groups (especially the fixed salaried groups) find it difficult to purchase a house in the city. The increase in price of houses is out of proportion with increase in cost of construction.<sup>46</sup>

Apart from somehow regulating the profit margins of the developer, we have to think of solution in terms of designs which are more economical—in the short-term as well as the long-term. In the past, the shift from bungalow to flats and row houses was a response to changed economic and social environment.<sup>47</sup> Currently, tenements and apartments are the most popular types of housing in the city. But with the cost of even these types becoming prohibitive, another major innovation in the design of houses is overdue.<sup>48</sup>

The private sector, at the moment is not considering any innovation. The developers realise that the current slack in the market is due to high prices of houses. The only way they can think of reducing costs/prices is by lowering specifications for which the demand may

<sup>45</sup>One developer at least has had a different kind of experience. He believed that building for low income groups is not only more profitable but also less troublesome as compared to building for literate high income groups. The low income groups normally pay regularly and quietly and don't ask many questions. The educated people know more about their rights and know that even if they are irregular in payments nothing would happen. The definition of low income group housing of this developer is of housing costing between Rs. 20,000 to Rs. 25,000.

<sup>46</sup>The price of a house consisting of 2 rooms and a kitchen (plus toilets, etc.) has increased from Rs. 20,000 in 1970 to Rs. 1 lakh in 1985. The developers attribute this increase to escalation in the land prices and other expenses extraneous to construction.

<sup>47</sup>In recent times, in Ahmedabad, Jaishefali Row House Scheme (on ISRO Road) was one innovative scheme. The row houses were designed so as to combine the features of a detached bungalow and a tenement. This scheme proved to be a trend setter and was followed by many others.

<sup>48</sup>In this respect the acceptability from client's point of view is extremely important. They must accept the realities of a high cost society and must reconcile themselves to inferior specifications like unplastered walls, lower quality flooring, fewer electricity points, no running water as well as economies in points and woodwork. These, according to a developer, can reduce the cost of a house by as much as 20-30 per cent.

be even lower.<sup>49</sup> In fact, instead of going for cheaper housing through better design the trend in the private sector is for more expensive designs.

Thus judging from current trends, the role of private sector in providing low cost housing to the different sections of population seems highly dubious. Their role in providing housing for low income groups is even more so. The developers have been providing houses to low middle income groups mainly to avail of 'subsidy' provided by loans from GCHFC. With these loans becoming highly irregular and people becoming more aware of the weak (illegal) position of the developers and of their rights<sup>50</sup> and finally due to slack in demand for this type of housing, the conditions are not very conducive for the developers to continue to provide even for this sector.

It appears by present reckoning that the developers might just complete the schemes, submitted in 1980 to CA and exempted by it under Section 20 and 21 and ULCRA. Since 1980, however, conditions have changed drastically and schemes meant for EWS and LIG are now affordable only by middle and upper middle income groups. The developers would, in fact, like to concentrate on housing for middle and upper middle income groups<sup>51</sup> who can arrange for loans themselves. In fact, the slack in demand in this type of housing is minimum. These houses have continued to sell even during riots and during the days of textile strike since the people affected by these events were the poor and not the rich who demand such houses.

<sup>49</sup>One developer has been so far away from reality that in order to provide aesthetically beautiful houses to the poor he has given them even a more costly design than that prevalent at present. No wonder the houses have not sold. Around 80 per cent are lying unsold.

<sup>50</sup>As noted earlier, in Gujarat, the position of promoter of a cooperative society is not recognised by law. The consumers, at least the literate middle income groups, have recently become aware of it. In some cases, they have refused to pay the interest the developers normally charge at the time of handing over either under the guise of inflated cost or charges for some items or services. More importantly, the consumers have succeeded in making the developer fulfil whatever promises relating to provision of services he had made at the time of enrolment of members. Further, through collective action, they have 'restricted' developer from allotting the plots/flats to non-members, renting out of 'common' property or such other practices. The consumers are aware that the developer cannot take them to court and it is they (once they occupy the houses) who are in a stronger position. We have come across at least one case in which the members did not pay even the legitimate dues to the developer.

One must note that the cases of consumer resistance mentioned above are still exceptions.

<sup>51</sup>At least the large developers would. The small developer may continue to cater to this market—at a high price. With the large developer vacating the market the small developer doesn't have to face any competition and there would be even less control on the prices charged by him.

### CONCLUSIONS

The role of private sector in the housing market in the city should be evaluated in terms of housing policy objectives. The questions which need to be asked are : (1) Has the private sector provided the type of housing required by the population at reasonable prices? (2) If no, is it the existing environment or monopolistic elements which are responsible for this state of affairs? (3) In a mixed economy what should be the role of private developer in the housing sector?

When evaluated in terms of (1) above, the private sector has failed miserably. The role of private sector has not been defined by our policy planners but there seems to have been an unwritten understanding that the public sector would supply houses for the poorer sections (since private sector any way would not) and the private sector would cater to the rest of the market. The failure of private sector is manifested not only in 'high' prices of houses but also in excess supply in some sub-markets. The developers are not well organised and each one has floated his scheme without regard to action of others leading to excess supply of some types of housing. The high price in the market has led to a worsening of the situation. The consumers are waiting for the prices to fall, the developers are waiting for the consumers' resistance to break. The situation continues to be in a deadlock.

The legal-economic environment is also responsible for the present state of the housing market. As suggested in above paragraphs, a simplification of procedures will go a long way in improving the supply situation - in terms of quantities and also prices. The government somehow has to find other ways and means to regulate the prices.

Private developer has a very important role to play in the housing market. The public sector with its current administrative and financial powers cannot tackle the housing problem by itself. The individual who enters the housing market, probably only once in life time, is not well equipped to handle the activity. The developer can perform the activity efficiently. We have to think as to what are the conditions in which he can do so. In this paper we discussed the responses of the developers to existing (legal-economic) environment. Knowing his behaviour pattern, what measures should be adopted that housing is made available to people at reasonable prices? That is the next step. □

# *Management in British Local Government in the 1980's : Theory and Practice*

CLIVE HOLTHAM

THE 1980s has seen a great upsurge of interest in the question of management, not only in British Local Government, but also internationally. Much of that interest has in fact derived from books such as 'In Search of Excellence' which are American private sector in orientation. The intention of this paper is to review some of the *practices* of public sector management in Britain in the context of a number of potentially relevant *theories*. It is not easy for a 'practitioner' to review rigorously the various theories of public sector management, and arguably that is not the role for a practitioner. What is attempted here is to try to set out a very personalised case study.

It starts by looking at the theories which one person (the author) has found of interest, stimulation and use in practice. It then moves on to discuss some of the practical problems facing a senior manager in local government, and at the way in which some of these theories have stood up, or not, in the light of experience. It concludes with again a personalised approach to managing some of the realities faced.

It is not intended that this paper should serve as an example of good practice. What is good practice is very substantially contingent on the environment a manager is working in, the pressures the manager is facing and the resources of all types at the manager's disposal. What is being aimed for is firstly, to suggest that there is a role for theory informing practice, a position which a number of practitioners are not immediately ready to argue. Secondly, there have been very few studies by practitioners of the way in which they manage, or think they manage. It is hoped that in the process of comparing the reader's experience with the author's, a comparison can be used to stimulate ideas about the differing ways of approaching the art of managing.

On a note of warning, it is the author's view that a number of the practical managerial issues raised and approaches used by the author

in practice would not necessarily survive transplantation, even within the author's employing organisation, let alone within other British local authorities, and certainly not across national or cultural boundaries. Having said that, some of the theory and indeed of the practice has been confirmed by practitioners in other organisations and in other countries and cultures as being of relevance to stimulating their own thinking, even though the precise form of practical implementation might have to vary or in particular be highly sensitive to that of manager's individual environment.

### **THEORY**

In this section, six management theories will be examined that the author has found influential in developing his own management practice. Readers will soon note, they are by no means all-embracing or comprehensive. What they do illustrate is the way in which an individual manager accrues by tuition, reading or conversation different sorts of ideas about management and then selects from that range particular ideas or theories that seem to be relevant to that particular manager. There has been perhaps far too little analysis of the way in which practicing managers learn about management and develop their own managerial thinking. This paper may illustrate that it is a very unsystematic and almost random process; though this may not make the task of management educators any easier, it may in a small way make a contribution to that task.

The six management theories that the author has found useful and interesting, and has been able explicitly to identify, are each now briefly outlined and useful elements highlighted.

#### *The Hierarchy*

Figure 1 illustrates the classic public sector bureaucracy. It is a hierarchy. In essence, decisions are made at the top and are communicated downwards into the different parts of the bureaucracy where they should be efficiently and consistently applied. Many practising managers are surprised to see this model described as a theory. To them it is the way their organisations are structured and in many ways represents the organisational reality. The hierarchy obviously does represent the way organisations are physically structured and in particular is widely used to establish job responsibilities and pay levels. But it is not a particularly comprehensive description, either of how organisations actually work or of the way they ought to work.

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The origins of the hierarchy as a management model lie in the structure of military commands, and also in the structure at least of certain western religions. The military and the church were the two

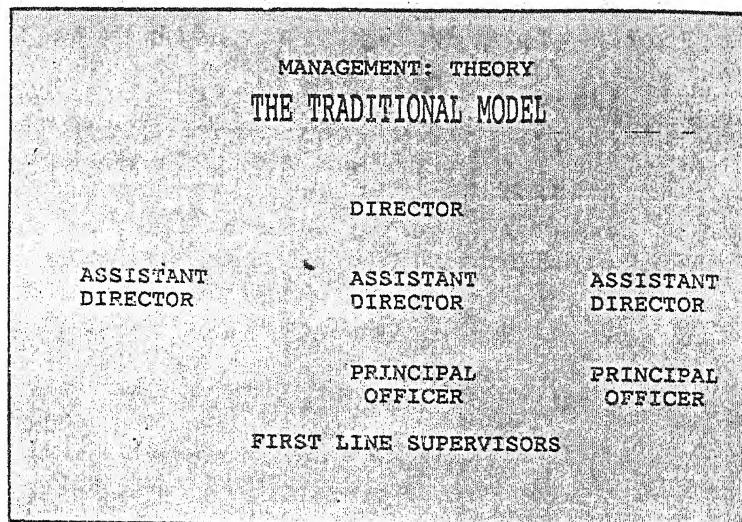


FIG. 1

classic western bureaucracies. But it now must be seriously doubted whether the military and religious basis of this model make it a particularly helpful tool for the manager in local government in the 1980's. Of course, formal structures are essential for practical managerial and personnel management reasons. Work in large organisations does have to be divided up into smaller units, which in turn have to have some sort of formal managerial structure. This is the classic theory of bureaucracy as identified by Weber (1947).

The real problems that derive from this model are that it is very weak in dealing with inter-relationships between the different parts of the bureaucracy and it is static rather than dynamic. There is no necessary source of pressure and questioning to enable the bureaucracy to adapt to changes in the outside world.

#### *The Rational Model*

Some of the earliest developments in management thinking in the 20th century derive from the work of Taylor (1947) in the United States and his development of work study and the scientific organisation of work to improve industrial efficiency. During and after the World War II there was further considerable development of interest in scientific management, for example, through the creation of operational research. In the 1950's and early 1960's the scientific approach, in particular, to the development of the American Space Programme led to considerable refinement of the rational model as a theory for both private and public sector managers all over the world.

The framework of this model is set out in Fig. 2. Setting objectives forms the normal starting point for the model, and management by objectives was one of the specific techniques derived from this model. In the public sector, Planning Programming Budgeting Systems (PPBS), formed the most comprehensive implementation of the model, although experience in the 1960's and subsequent analysis has suggested that there were severe impracticalities in at least aspects of that model in real implementation.

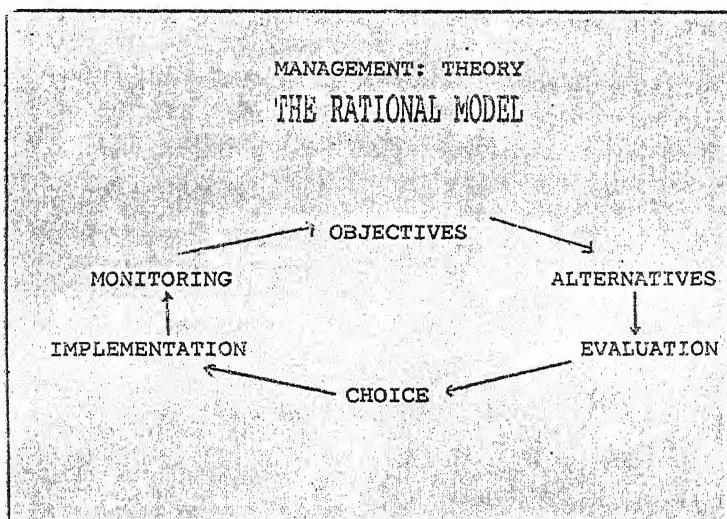


FIG. 2

The first aspect of this model that the author has found valuable is objective setting. Public sector organisations are normally creatures of legislation. Legislation provides them with functions. Some legislation may incorporate goals, objectives, but will normally do so only in the broadest terms. It is commonplace to blame politicians for not being willing to set objectives, but this appears to the author to be too easy a target: in many ways, public sector managers have failed just as much either to set targets, or to create the environment which makes it easier for politicians to set targets.

Secondly, the evaluation aspects of the rational model have again been historically weak in the Public Sector and the last twenty years has seen some improvements in the methods by which public sector organisations evaluate some alternative policy.

Finally, the monitoring side of the public sector has often been very much under-emphasised. The task of the manager has often been seen simply as implementing legislation, rules and procedures, with

far too little emphasis being placed on whether or not the methods of implementation are actually meeting the requirements of the legislation or organisation. Individual elements of the rational model can be far more useful to practitioners than is perhaps sometimes recognised by the vociferous critics of the model as a whole, such as Lindblom (1959).

### *The Socio-Technical Systems Model*

In the 1950's, pioneering research work was carried out in the United Kingdom by a number of the then emerging discipline of social psychologists. Amongst other organisations, the National Coal Board used these skills to examine the question of efficiency and productivity in mining. Similar work has also been carried out in the United States, and the author has found the summary representation of the Socio-Technical systems model by Leavitt (1964) to be particularly valuable. This is set out in Fig. 3.

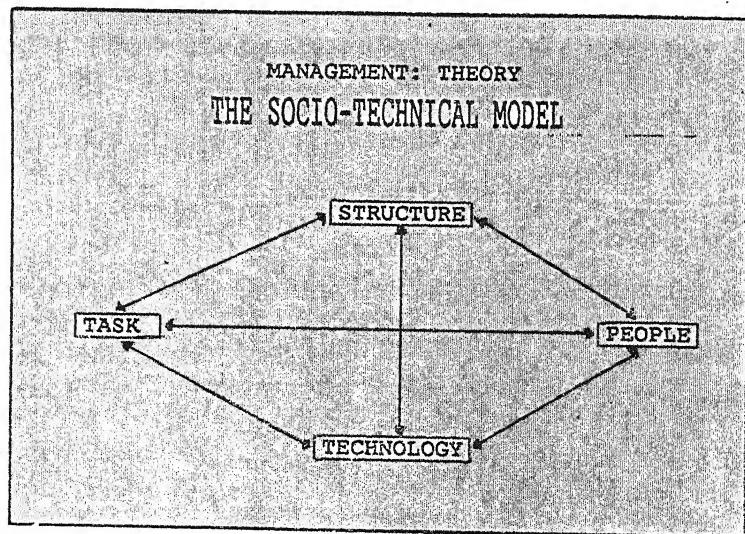


FIG. 3

Working from Leavitt's model, it can be seen how the earlier proponents of scientific management concentrated on the link between organisational structure (including the organisation of individual pieces of work) and the task in hand. The first additional element in this socio-technical model was 'people', perhaps not surprisingly given the social psychology background of those who developed this model. Secondly, the significance of technology is highlighted. This refers not only to the physical technology : tools, equipment and nowadays information technology, but also to some of the less tangible organi-

sational processes. The third point to be noted about this model is that it physically connects each and every element of the model. The organisation is seen as a holistic system.

This model can have important implications for the practising manager. The increased emphasis on the individual within an organisation calls into question the historic view, particularly strong in the hierarchical model, that there is a 'right' way of structuring organisations. There needs to be an extent to which organisational structure takes account of individuals, and their strengths and weaknesses.

Organisational structure is highly visible, and perhaps for this reason, has often been a favourite target for management consultants and indeed managers to change where it is felt there is a need to improve organisational effectiveness. The socio-technical systems model at least causes us to pause and consider whether there is any necessary link between changed structures and improved effectiveness.

In particular, if there are no parallel efforts to tackle the people and technology of the organisation, it is quite conceivable that changing the structure is as likely to reduce effectiveness as it is to increase it. This model reminds the practising manager that organisations are an entity. In the hurly burly of everyday managerial life, it is all too easy to over-concentrate attention on one particular aspect of an organisation's functioning. This model provides a modest encouragement to the manager to think through all the significant aspects of proposed changes on the organisation.

### *The Three Circles*

During the 1960's and 1970's the Industrial Society in the UK developed a considerable amount of material for management training, and leadership training in particular. Drawing upon the work of John Adair (1978, 1983), a very distinctive approach to leadership training was developed. At its most simplistic, it can be summarised as "The Three Circles" (see Fig. 4). The emphasis on achieving the task and developing the individual were, of course, present in the Socio-Technical Systems Model. But to these has been added a particularly important ingredient: 'building a team'. Certainly in most public sector organisations, and indeed organisations of any other than the smallest size, individuals in fact work in teams. The team has often been a neglected topic in management development training, partly because it is physically more difficult to train teams, as opposed to individuals. And yet there are times when the emphasis on the individual can be counter-productive to successful achievement of the task.

In most organisations there are committed, dedicated and hard-working individuals who work very long hours and who are often

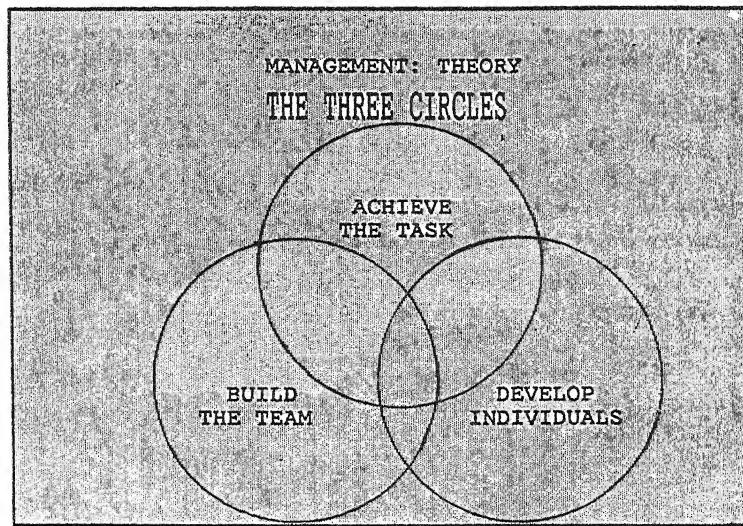


FIG. 4

still not satisfied with the level of achievement of their work group. In fact, all too often the reason why the work group may in fact be under-achieving is that this particular individual (often the manager or supervisor of the group) is concentrating too much on his or her individual efforts, and too little on the way in which the talents of the whole of the team can be brought to bear on achieving the organisational task.

The Three Circles Model is a very useful reminder of the significance of the team as opposed to the individual, and of the need to develop the team separately from and in parallel to individuals.

#### *The Cybernetic Model*

The Rational Model was not the only one which developed from a scientific basis. The whole science of cybernetics was rooted in a number of different disciplines, with biology and neurology being of particular significance. The writer in this field with perhaps the most relevance to both public and private sector managers is Stafford Beer (1979, 1981, 1985). Beer's model of a cybernetic system is summarised in Fig. 5. There are a number of aspects of this model which make it of particular interest to public sector managers.

Firstly, there is the strong emphasis on interaction with the environment at all levels. Clearly, all organisations have to interact with the environment at their 'implementation' levels. This is the normal day-to-day operation of an organisation. But in the public sector there

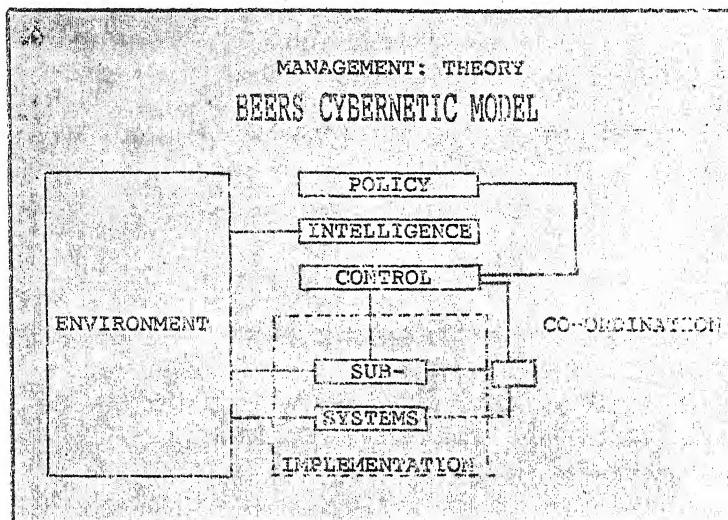


FIG 5

appears to be less systematic interaction at the higher levels with the environment, particularly compared to the private sector. The private sector has developed techniques of market research which enable the policy makers in the organisation to have a better understanding of the environment. Only in very recent times in the UK has there been any comprehensive interest in the use of research and surveys and indeed market research techniques for local government policy-making. This is not to say that there is a lack of experience within particular functions, particularly land use and transportation planning in the use of surveys. And there is a wide experience of the use of consultation techniques. But neither of these approaches amounts to systematic market research into the needs of the consumers of local authority services.

The second interesting feature of the Beer model is that it contains a much clearer delineation of the roles of the senior levels in an organisation than is found in most other models. At the highest level is the policy-making function. In public sector organisations, this will usually be the political level. But this level depends on two other important elements, namely 'intelligence' and 'control'.

The intelligence function collates data from within the organisation, and particularly that derived from interaction with the environment, to support policy-making. This function has often historically been under-developed or completely non-existent in public sector organisations. The concept of control is a very subtle one, and must be clearly

distinguished from the military idea of command. Control in the sense that Beer uses it is essentially a sophisticated form of monitoring. It hinges on there being a specific form of information flows from the operating units to the centre of the organisation. These information flows must be related to and measure the achievement of organisational objectives. The policy level only needs to exercise formal control if there is, or appears to be, a problem arising from the information received.

This can be contrasted with the traditional public sector monitoring systems which all too often produce data on what can fairly easily be measured: this will only by coincidence measure the achievement of organisational objectives.

#### *The McKinsey Seven S Model*

During the 1970's there was an increasing perception in American business circles that the USA was losing the trade war with Japan. As a consequence, the best brains in American business schools were sent to Japan to try to discover the secret of Japanese business and trade success. What then followed was a whole series of books on or stimulated by Japanese management: Ohmae (1983), Pascale and Athos (1982). Most of the major management consultancy firms in America also took an interest in this work and two people involved with the firm of McKinsey's wrote the runaway bestseller *In Search of Excellence* (Peters & Waterman, 1982) drawing on the results of this new wave of academic research into business. This new wave was highly critical of the very numeric and almost mechanistic approach to management which it was argued was being heavily emphasised in 'other people's' business schools.

The model developed by Pascale and Athos (1982) which was further publicised in *In Search of Excellence* could be described as the McKinsey Seven S Model. It is set out in Fig. 6. It can be seen that this is in fact heavily derivative of the earlier socio-technical systems model, but the one idea that it does import from the research into Japanese management is the concept of 'shared values'. It was argued by the researchers who had been to Japan that the very strong set of cultural values which were common between workers and management and across different organisations within Japanese society provided a firm foundation for organisational effectiveness. The cynic might indeed question whether if Japanese businessmen had a key to success, they would necessarily explain it to American researchers, but it has to be said that by any standards shared values are a dominant factor in the organisation of Japanese business and public life: (see Yang, 1984).

This might have remained of largely academic significance to British Local Government managers but in 1983 a new body was set

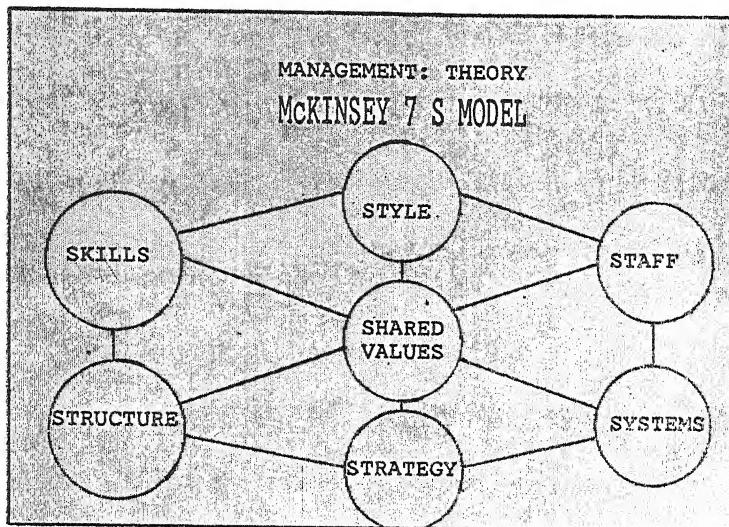


FIG. 6

up to carry out audits of all the local authorities in England and Wales. This body—the Audit Commission—has a role which goes well beyond traditional financial audit to consider the three E's of economy, efficiency and effectiveness. The first controller of the Audit Commission was not in fact an accountant, but a management consultant from the firm of McKinseys.

It is perhaps not surprising that the Audit Commission has adopted as its management philosophy, which it recommends to local authorities, the McKinsey Seven S Model, and indeed local authorities management arrangements are audited by reference to this model (Audit Commission, 1985). There has, however, been one significant alteration. The shared values, which was at the core of the American research work, has been taken out and replaced by a completely new element: 'vision'. No satisfactory explanation has ever really been given for this change, apart from a feeling that the terminology of shared values might not have been immediately appealing or comprehensible to practising managers. This change is all the more surprising because the notion of shared values is a genuinely new contribution to management thinking in the 1980's.

#### MODELS OF MANAGEMENT—CONCLUSION

Outlined above were a number of models of management which this particular author has personally found to be helpful in developing his own management thinking, and the particular elements which have

been most useful from each model are summarised and highlighted in Fig. 7.

MANAGEMENT: THEORY SUMMARY	
<u>THEORIES</u>	<u>LESSONS</u>
TRADITIONAL	STRUCTURE
RATIONAL	OBJECTIVES/MONITOR
SOCIO-TECHNICAL	WHOLE NOT PARTS
3 MAGIC CIRCLES	TEAM
CYBERNETIC	CONTROL/ENVIRONMENT
MCKINSEY 7S	SHARED VALUES

FIG. 7

Examined critically, this list is very eclectic, and could not be said to form a coherent management philosophy. Perhaps, however, there is a lesson to be learned from this, namely, that the situations that a manager faces are, over a period of time, both complex and uncertain and it is, therefore, necessary for managers to have not a single, simple management approach, philosophy or model but rather to have a variety of models.

None of these is likely to be applicable to each and every situation faced, although some because of their emphasis are likely to be stronger. For example, in situations where information flows are under consideration, a Cybernetic model may be more appropriate than the Three Circles model. Indeed, arguably, what is more important than which particular models are used, is the fact that managers can and do draw on such models in practice, even if they do so unconsciously.

It is a frequently heard claim of managers that they have no need of academic education in management. They claim that they have learned everything they need to know through experience. And yet experience is really just one more model of management. Rather like the hierarchy in Fig. 1 it is taken for granted. Indeed in situations where there is a stable environment, stable organisation and an organisational requirement to keep things that way, it can be that the

model of experience is particularly valuable.

The real danger in the model of experience, however, is that it is used well beyond the point at which it remains valid, for example, even where there have been substantial changes in the environment, in the organisation and even in organisational objectives. No manager can afford to ignore the lessons that they have gained from their practical experiences, but in the 1980's they must also learn how to stand back from those experiences and regard them simply as a model that they happen to have personally experienced. Arguably, some of the worst managers are those who have taken the model of experience far beyond the point where it has ceased to be relevant to current and future organisational effectiveness.

#### PRACTICE

In order to illuminate these theoretical considerations, it may be useful to highlight some of the issues that have arisen during the author's recent practical experiences. It must again be emphasised that these experiences are used as a case study and not by way of implying that they necessarily represent good practice or practice that is reproducible elsewhere. The experiences are categorised in two ways: firstly in relation to the author's own department and secondly in relation to the overall management of his organisation.

By way of brief background, the Finance Directorate of the London Borough of Hammersmith and Fulham employs around 200 staff working in the following six divisions: Financial Control (Accountancy), Internal Audit, Loans and Investments, Financial Administration (Payroll/Pensions/Payments), Revenue Services and Administration. It is very large user of both mainframe and micro-computer systems having in excess of 100 terminals and microes. Its three main functions are:

Financial advice to elected councillors and officers.

Stewardship of the Council's resources.

Management of the Council's cashflow.

Turning to the chronology, prior to the author's appointment as Director of Finance in 1982 from another authority, there had been an adverse consultant's report in relation to the management of the finance department. Although the consultant's report itself contained some serious weaknesses and misunderstandings, it was used particularly in political quarters to justify changes in the Finance Department.

Virtually the first step of the newly appointed director in 1982 was to carry out an interim restructuring of the top management of the department, which had not been carried out for some considerable

time, and where the structure was arguably inappropriate to the new and intense demands being placed on the Finance Department in a climate of economic restraint.

Largely resulting from this change in the formal organisational structure and also as a result of the Council's early retirement programme, by 1983 all four of the second tier posts in the department (Assistant Directors) had left and been replaced with new appointments—three of the four being external appointments. Work also then proceeded on restructuring some of the major divisions of the department, which had again not been reviewed for some time.

In mid-1983, the Department produced its first Management Document (see Appendix I for an outline of the contents). This document set out explicitly the role of managers at various levels and also outlined the management process that would be adopted by the department. Drafts of the document were discussed through the newly constituted management groups in the department, and the management philosophy and processes outlined there have remained largely unchanged subsequently.

There had been relatively little formal management training and development made available, and this was particularly significant in view of the new skills that were required of managers to meet the more explicit management philosophy. The department was fortunate to be able to put a group of middle managers through a new programme developed by the Local Government Training Board for 'Rising Professionals'. This course proved an extremely valuable method, not only of improving the skills of the participants on the programme, but also of heightening awareness more generally about management development. The Local Government Training Board have published the experiences of the course members as a case study (School for Advanced Urban Studies, 1984).

The Year 1984 essentially saw a consolidation of these developments, with an updated management document produced. Additional to this, each section of the department set out its explicit goals and targets for 1984-85 in a way that would facilitate subsequent monitoring of those goals and targets. This document was described as the Action Plan 1984-85.

The emphasis on management development continued, using both in-house and external courses. But additionally, the department, in conjunction with the Personnel Department's training and development section set up its own Senior Management training programme. This typically consisted of one day seminars on particular topics, such as appraisal, interviewing, industrial relations, etc. Latterly, the department has set a target of at least seven days full-time training per year for managers, to equip them with the range of skills which

are now needed to carry out the managerial role in a complex and ever-changing environment

During 1985, there were further restructures of divisions of the department, including one division which had been restructured in 1983, but where the expected results from that first restructuring had not fully materialised. These changes within the Finance Department were taking place against a background of change within the Authority as a whole, and it is also possible to highlight some of the corporate developments which were taking place in the London Borough of Hammersmith and Fulham at the same time. In 1986 an election changed political control of the Council—what is set out below is essentially an historic view.

Starting again in 1982, there were a number of new councillors elected that year to the new Conservative/Liberal coalition and they were anxious to achieve a greater degree of expenditure restraint than had applied before. This political wish ran parallel to central government initiatives in the same year which meant that as councils lost grant aid from the central government, the proportionately greater their own expenditure. The consequences of spending above government targets would have been relatively high rates (local tax) increases.

Before 1982 the budget process had tended to be of a relatively traditional form with a lot of decisions being taken quite late in the financial year (January/February): the financial budget was seen as the primary policy device rather than the emphasis being on the substantive service policies underlying that budget. From 1982 onwards, a more systematic budget process was designed with policy options being considered in the summer, being converted into financial targets in the Autumn and these being fine tuned in the new year.

In 1983, as a further development of the budget process a document called 'Service Profiles' was developed to set out in very simple form all the functions of the council, their major targets, costs, and current issues facing them. Informal policy planning and budget seminars were also set up for leading members of the Council to discuss these services alongside their financial policies. This more policy-orientated budget process has continued in subsequent years

One of the consequences of this relatively rapid change in political priorities and economic environment was that some of the traditional methods of operation at the officer level were put under great pressure. The Chief Officers of the Council, led by the Chief Executive decided in 1983 that it was necessary to appraise their own roles and the roles of the senior managers in the organisation in the light of these external changes. A series of meetings was held to collect the opinions of middle and senior managers and the outcome of this review process was a short document called the Directors Board Action Plan.

This indicated that the management of the authority had to develop new skills in the area of managing change, and set out a number of managerial issues that required priority, if the Council's objectives, including expenditure restraint, were to be achieved with a minimum level of service reduction. One element in the new approach was the more systematic collection of information about the functions of the Authority. The documentation produced for this exercise was called PROMICE (Provision of Management Information for Councillors and Employees).

It did not prove an easy exercise for all departments to set out their objectives and functions and statistical measures of performance, but nonetheless, by the end of 1984 virtually all the departments had produced this documentation. As part of the re-assessment of his own role, the Chief Executive decided to institute a system of "Chief Executive's Management and System Reviews".

This very innovative review process involved firstly the Chief Executive's staff visiting a department for several days to get a feel for the current issues within that department and to discuss with Middle and Senior managers their PROMICE forms, and most particularly matters arising from them. The Chief Executive himself then visited the Department, and talked in particular to middle managers about how far departmental and authority-wide targets were being achieved, and the constraints working upon managers preventing such achievement.

The Chief Executive would then report back orally to the management team of the Department and follow that up with a brief written evaluation of his visit. This review process was met with varying degrees of enthusiasm, not least because it was an extremely novel idea, and because it undoubtedly contained elements of monitoring the achievement and effectiveness of Chief and Senior Officers. It was, however, a major step towards demonstrating visibly the need for a more analytical and questioning approach.

A final innovation for 1984 was that the Director's Board, which had developed quite a skill at setting work programmes for Senior and Middle managers, at last actually developed a work programme of its own. The discussion and debates about what this work programme should contain were extremely important in re-orientating the board away from a fire-fighting and crisis management approach towards a more considered, policy orientated approach.

It also became clear that achieving a more managerial approach required a greater understanding across all departments of the managerial style and processes of the Authority. To that end, a draft Management Handbook was prepared in late 1985 for consultation and has been particularly used subsequently for induction of managers.

This inevitably brief summary of some of the recent developments in both a department and organisation sets the background for consideration of some of the important issues that face managers and which can be derived from a combination of both theory and practice.

Instead of looking at the management of an organisation chronologically, another way is to approach it diagnostically. As a result of many discussions with managers at all levels, the author has identified seven common management problems which seem to recur regularly in public and private sector organisations of all sizes and types. These can be referred to as the Seven Deadly Managerial Sins, and they are set out in Fig. 8

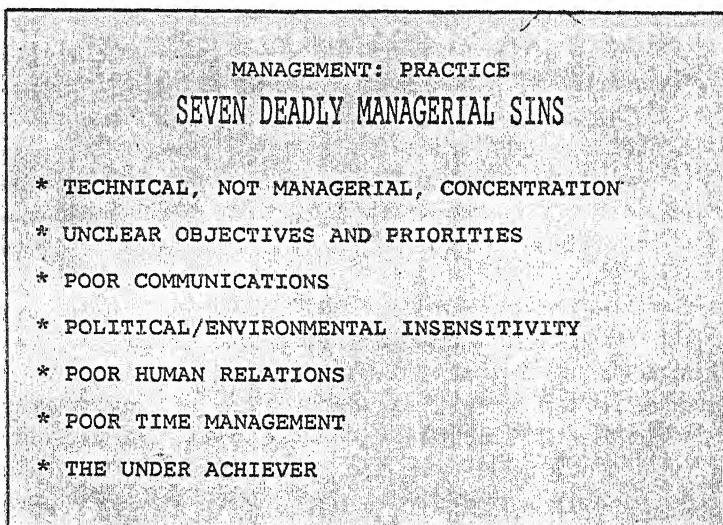


FIG. 8

It is not possible here to analyse these in depth or to run through the possible solutions to them. What, however, has been found to be a useful management development exercise is to present these Seven Deadly Sins to a group of managers and then to ask them as a group to identify how they would solve the problems indicated. With a little guidance from a course tutor, it is remarkable how groups can address most of the fundamental solution to these problems, even though none of the managers could by themselves perhaps come up with a full range of solutions immediately.

This type of group learning and discussion about practical management problems, probably takes place best within the framework of a formal management development course, but it is perfectly possible to

use this type of device within the work environment perhaps particularly within a half day or whole day training course.

One of the problems faced by practising managers is that it is often not easy to discuss the management problems that they personally face with colleagues or subordinates. This can be a particular problem for the Chief Officers and other very senior levels of staff. There can be a gap between rhetoric and reality.

There is an outstanding text on the problems of managers in British local government (School for Advanced Urban Studies, 1983) that I believe should be compulsory reading for all existing or aspiring senior managers. In reality, it all too accurately portrays the real world of the senior manager:

Most management training would have us believe that if only we learn the lessons and techniques and try hard we shall end up with a well planned, well run department where decision making is thoughtful and systematic, where days are planned logically and orderly, where planning systems exist which are rationally based, where objectives are clear and consistent, where we steadily monitor progress against plans, where the budget is controlled and spent as planned...and so it goes on. The rhetoric consists of exhortations to reach for this organisational heaven. The reality is quite different. Many days seem like a shambles at the end of which there seems so little to show for so much expended energy. A typical day in the life of a chief officer consists mostly of interactions with other people, seeking, giving information, negotiating, pushing, pulling, cajoling. Many of the contacts are impromptu and unexpected which in turn set off chains of events as unpredictable as they are trivial or important. Decision making is a tangled web woven through bargaining and negotiation. Objectives are something chief officers often feel guilty about not having and which they resolve one day to get around to. In truth, they are relieved, they never have to, because they know instinctively they are unrealistic and part only of the rhetoric. For every problem solved and victory achieved there are several new problems to solve and defeats to endure. Each costs hours of careful preparation, persuasion, listening, talking, and compromising.

The above text highlights the problems that arise from the pressure and chaos of reality. Even though senior managers can take explicit steps to break out of the vicious circles of pressures considerable effort is needed to do so, including support from all levels within the department.

## LESSONS

Attention can now be turned from some of these general developments towards specific initiatives and examples from the London Borough of Hammersmith and Fulham.

In the discussion of theory, the significance of shared values was highlighted. In 1983, the management team of the Finance Department, none of whom had been in post for more than twelve months, sat down and tried to decide on the contents of a recruitment booklet. This was particularly important, as London suffers from relatively high levels of staff turnover, and there is considerable competition for skilled finance staff.

The team felt strongly that for recruitment purposes, the Department should make no effort to hide its distinctive management philosophy: it was not only necessary to attract staff who were interested in that philosophy, but also to indicate openly to staff who were less committed to that philosophy what they might expect. The outcome was a philosophy which is contained in full in Appendix II.

The important thing is less the precise headings and words used in the statement of philosophy, but more the fact that the management of the Department was prepared to set out so clearly its managerial aims. This statement has attracted considerable interest, and has been included in the Local Government's Training Board's (1985) report on good management practice in British local government.

This philosophy remained totally unchanged for three years. This statement has undoubtedly been a factor in improving recruitment to the Department—its original objective—and has also formed the backbone of the successive management documents within the department. It is emphasised during the staff induction programme, and perhaps partly as a consequence of its existence, other sections or departments within the Council have taken up the idea of clarifying their departmental philosophy.

However, it also has to be admitted that there can be problems arising from being so very explicit about managerial aims. In particular, it is very likely that expectations will be raised amongst both staff and managers, and that when actions take place that are incompatible with the philosophy, this can lead to criticism and discontent. Some examples may clarify this.

On one occasion, a whole day training seminar was organised for the Senior and Middle managers of the Finance Department. Unfortunately, the agenda for the meeting went out extremely late—only the day before the meeting—and this led to some confusion about location, start time, and attendance at that meeting. Furthermore, some of the very senior managers in the department were unable—due

to pressing policy matters elsewhere—to attend the seminar, as had been intended and expected by the more junior managers present.

Even all these problems might have been overcome but for the fact that the title of the seminar was 'Improving Communications'. This topic had been picked because it was a key area of the management philosophy, and it was one in which staff at all levels were anxious to see improvements. The day after the seminar had taken place, the Director was deluged with both oral and written criticisms of the administration and attendance at the seminar, and there was particularly constant reference to the fact that better communications was one of the themes of the philosophy, and the Director had a personal responsibility to ensure that what was preached was also practised. This was a salutary early experience that it is no use raising expectations unless senior management actually ensures that reality matches up to those expectations. There is no hiding place in an environment of more open aims and targets.

A second problem related to a consultation exercise on the 1985-86 Management Document. A draft had been prepared by the Departmental Management Team and a small group of middle managers was set up to produce comments and criticisms on the draft, as had happened the previous year also.

Unfortunately, because the management team had been slow in producing the draft due to the need to finalise the budget, it meant that the deadline for printing the document and reporting on it to a prearranged meeting of managers was very close indeed. The group of middle managers were therefore given twenty-four hours to comment on the draft.

This had seemed reasonable to the Management Team, but provoked considerable irritation and indeed anger amongst the middle managers. They told the management team in no uncertain terms that they were very happy to be consulted if the consultation was genuine and that there was a real opportunity to propose changes in the document, but they were not satisfied that consultation at twenty-four hours notice was intended to be genuine. In the management team's eyes they had, from their point of view, believed there was enough time to consult, but they had not really taken into account the possible feelings of the middle managers.

In the event, it was not possible for the deadline reason substantially to change the document, so what happened was that the middle managers group was given considerable freedom to organise the subsequent consultation processes with middle and senior managers, and one section of the document was left empty to be completed following more extensive discussions and consultation by the small group of managers. This was carried out and the additional section

to the document was included at a later date.

It can be seen that if no effort had been made to consult, there would probably have been less or no overt criticism: it would probably have grudgingly been accepted that the matter was not one for discussion and debate. It is essential that if consultation is entered into, the boundaries to that consultation must be made clear and if it is to be genuine consultation with a real opportunity to alter documents, then adequate time must be allowed for this.

Though this particular mistake will hopefully not be made again by the management team, it can be seen how in the real world, faced with pressures from each and every side, deadlines and a whole variety of expectations, it is possible for even the best-laid plans to go wrong. And where those plans go wrong in relation to a core value of the organisation—in this case, the importance of initiatives from the middle and junior levels of the organisation—such problems can have all the more serious repercussions.

Values can never be entirely static, and by 1986 it was becoming clear that in one important area the management philosophy laid insufficient emphasis. This was on the question of equal opportunities for women and ethnic minorities. The original philosophy only implicitly referred to these issues; particularly after awareness training for senior managers, it was felt to be important to make an explicit statement in this area.

At the time when the management team decided upon the philosophy, none of its members had ever heard of the phrase 'shared values'. It was only after reading *In Search of Excellence* in 1984 that it was realised that the team had in fact drawn up a set of shared values. The writing down of such values does not, of course, in any way guarantee that they will be applied, but as indicated earlier, it certainly provides a basis on which managers at all levels can draw, particularly in the case of deviation from the values.

The next question which the Finance management team tackled was the problem of setting performance targets, and subsequently measuring them and in an environment where there are always likely to be insufficient quantitative performance indicators. It is also the case that accountancy is one of the longest standing professions in Local Government and endemic to professions is that its members are drilled into meeting professional standards, and nothing less.

However, professional standards do not always keep up to date with the leading edge of professional thinking: and at times are simply out of date. Furthermore, professionally set standards cannot take account of particular local problems, resources and priorities. It was, therefore, decided that we had to develop our own measuring system which could validly represent the degree to which individual cases

it was desirable to meet professional and other standards.

The measuring system is set out in some detail in Appendix III. The essence of it is that if a 100 per cent represents an ideal performance level, then 80 per cent represents adequate performance and 120 per cent is excellent. The numbers are purely arbitrary and do not reflect scores out of 100. It was felt to be important to show that it was possible to achieve more than 100 per cent, but the implication also was that it was usually expensive to achieve excellent performance and this might well be less important than achieving more adequacy across the board.

These percentages were used to monitor the achievement of action plan targets. It quickly became obvious that not all targets were being achieved, even at an adequate level, and the management team had to add two further percentages of 60 per cent, being less than adequate and 40 per cent, meaning little or no achievement. This measuring system has become well-established, and there has typically been little need for the management team to alter the self-assessments of individual sections and divisions, and this is only done in any case to achieve consistency across sections and divisions.

The apparently precise mathematics of 80 per cent 100 per cent/120 per cent are only relative (ordinal) achievement, not absolute (cardinal). They are thus imprecise, not precise. The majority of action plan targets are qualitative not quantitative and even for the latter, the broad-brush approach to measurement is preferable.

At the overall managerial level of the authority, the first Director's Board Action Plan of 1984-85 had had a somewhat mixed reception. Part of the problem was that there were still weaknesses in the communications and briefing systems within certain departments, and therefore in some cases even quite senior managers had not actually seen the Action Plan. Of those that had, there was also some scepticism where middle managers believed the senior managers were not actually acting through the spirit of the plan.

It was, therefore, decided that the 1985-86 Action Plan would firstly be produced in a much more attractive printed format, including illustrations and other graphic devices. It would not just set out a general set of values, but would also include specific targets, naming managers responsible for achieving them and also in some cases, timescales for achievement. There was also a clearer distinction between the values that were being promoted and the targets that were to be used actually to achieve those values in the forthcoming year.

One of the most important elements in the plan was contained in the Chief Executive's introduction: "We must never forget that our primary job is to provide good services to the public. . . . We are an achieving authority, and we can achieve even more". There was an

increasing realisation that service to the public was a powerful motivating force for the local government manager, and one that had to some extent been lost sight of in more abstract managerial developments. Subsequently, the British Local Government Training Board took an initiative in the whole question of public sector orientation. (see Stewart and Clarke, 1986).

The 1985-86 Director's Board Action Plan emphasised just four main values—devolution and delegation, a questioning approach (readiness to take risk, innovation, improving communications in all direction), and developing trusts through honesty and openness. These values had been all contained in one form or another in the 1984-85 Action Plan and gradually gained more common currency at management levels within the authority. In particular, they represented areas that the Chief Executive cou'd specifically examine on his departmental management and system reviews.

#### CONCLUSION

In looking back at these experiences of an individual authority, and in comparing them with the more refined world of the theories set out at the beginning of this paper, the practising manager will perhaps most readily be struck by the problems and imperfections in the real world managerial environment. It is essential that management education and development in the public sector explicitly takes on board some of the key problems facing the public sector manager. These include: no panaceas, many paradoxes, many problems insoluble, attitude change difficult *but scope for improvement*.

Less experienced managers often have a fairly idealistic view about the ability of more senior managers to solve the problems they face. Yet there really are no straight-forward panaceas to solving problems. It generally involves a large amount of effort consistently applied over a lengthy period even to address some of the problem areas. A further problem faced in the public sector is that some of the operational functions deal with problems that are in principle very difficult to solve.

It is not defeatist to suggest that certain social, environmental and economic problems exist in all societies and at all times. At the basic level of public protection, it is impossible to stop fires starting or to stop crime. Managerial efforts are devoted in these cases both to effective prevention methods, and to rapid and sensitive handling of incidents once they occur.

Another difficulty facing managers, particularly those who are seeking organisational change of one form or another, is that attitude changes are actually very difficult to achieve. Everyone is set in their

ways to some extent or another, and this means that organisational change which hinges on attitudinal change can take an extremely long time and a great deal of effort to bring about. The task is further complicated in the public sector where performance can be difficult to measure and where historic standards derive from past professional practice may over-dominate as a consequence.

Nevertheless, these problems and difficulties should never prevent any manager from believing that something can be done by them as individuals. There is always scope for improvement, even though at first such scope might be small.

As well as communicating problem areas, there is also a need for management education and development in the *public sector* to highlight a number of managerial paradoxes such as decentralisation demands centralisation, finance-led policies demand service-led choices, uncertainty increases need for planning, the urgent drives out the necessary and the higher up, the less you know. Such paradoxes are not always visible from the middle levels of the organisation. Indeed it is not always easy for managers at the top of the organisation (who may be very familiar with these paradoxes) to draw them and their implications out in discussions either with politicians or middle managers.

British Local Government is rooted in professionalism. The features of 'traditional' professionalism are that it is rule oriented, bureaucratic, hierarchical, paper generating and is averse to risk. Though these may seem a caricature, they do represent a very common interpretation of the professional approach in British Local Government. In preparing our 1985-86 departmental management document, and in updating our recruitment literature, we felt it was important to stress the elements of a 'new' professionalism. This new professionalism needs to retain the strengths of the traditional professionalism but make it more relevant to the social, economic and political environment of the 1980's. It needs to be more responsive to the consumers of services and in our view should contain the elements such as customer oriented, problem solving, good communications, responsiveness and sensitivity. It is essential that the new professionalism incorporates a managerial approach, not as a contrast to professionalism but as an essential element of it.

In the real world which most practising managers inhabit, even where there is sympathy with many of the ideas and innovations suggested above, it will not be an easy task to move quickly in their direction. It is a fact of life that poor managers exist at all levels of the great majority of organisations, not only in the public sector.

It is a very common comment of many managers that they will say "my superior has very little sympathy to the sort of managerial

approach that I want to adopt, so I see little point in making the effort to do so." Even though this position is understandable, it is also defeatist. It is possible for each and every manager to have a personal improvement plan, no matter how difficult the environment they work within. A manager with a sympathetic organisation and sympathetic superiors and sympathetic subordinates is going to be able to make considerably more progress in achieving their personal improvement plan, than a manager who lacks such sympathies. But in the former case the plan should also be more ambitious.

Looking at each element of the personal improvement plan in turn, there is always scope for an individual manager to make some progress. For example, very few of us avoid all the Seven Deadly Managerial Sins and most of these can be worked on individually. When it comes to clarifying one's own and team's aims, it would be very unusual even for a totally unsympathetic superior actually to prevent a team discussing and setting aims. On the question of communications, then even if communications within the whole organisation are difficult, there is still a responsibility on a manager to ensure good communications within team, both up and down.

In relation to human resource management, it is a very common failing in public sector management for managers to spend insufficient time worrying about their staff, their staff motivation and their staff development. Most managers should take a greater personal responsibility for their staff and indeed not be afraid to spend too much time on them : managers achieve through their staff, not in spite of them.

Most public sector organisations have ambitious goals and most fall short of their goals to a greater or less extent. It is, therefore, essential that even within a small team there is some attempt to prioritise work, for example, on the 80 per cent/100 per cent/120 per cent model.

Finally, the traditional approach to public sector resource management is frequently to measure performance by the amount of money spent. But public services exist to provide services to the public and individual managers must seriously personally question how far their role should be the spending of the money or in achieving a certain quality of public service and providing value for that money.

This paper does not claim to be any more than a very more personalised case study. It is not trying to persuade readers to copy experiences that arose from a particular set of circumstances. But it is hoped that by sharing those experiences of British local government in the 1980's, including some of the problems of management, it may be possible for readers to re-examine their own situations and identify for themselves ways and means to improve their own and their team's effectiveness.

It is hoped that those who are sceptical of the role of management theory for practitioners may be persuaded at the very least that theory can assist those practitioners who are willing to take an interest in the theory. If a practitioner has a closed mind then theory is unlikely, on itself, to open that mind. But as the author is trying to imply, in an environment of rapid change and increasing managerial problems for the public sector, a closed mind is not only a luxury that the public service and its consumers can ill-afford, but also, very probably, is a barrier to the effective delivery of modern public services. □

## **Appendix 1**

### **CONTENTS OF MANAGEMENT DOCUMENT**

#### **A. INTRODUCTION**

#### **B. THE MAIN ISSUES**

- (i) Greater Devolution
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#### **C. MEETINGS, TASKS AND ROLES**

- (i) Meetings
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1. Management Philosophy and Action Plan
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**Appendix II****OUR PHILOSOPHY***This Department*

In recent years we in Finance have been changing our attitude and style along with other departments within the authority. We realise that management in the 80's is a totally different affair from the management of the 70's.

The way we want to move forward is outlined below and will help you decide whether or not your future is with us.

*Decisions at All Levels*

Local Government is a hierarchy. Typically, decisions have to go upwards through the system and it is the task of senior management to set a policy framework. But given the hierarchical system, we actively encourage the flow of ideas to come upwards and decisions to be taken at all levels.

We want staff to take initiatives rather than simply wait for instructions. There are risks involved in this style of management but we are committed taking those risks in order to achieve economic and efficient operations.

*You Matter*

In Finance, we realise that people are our main asset. We want every member of staff to achieve their full potential. We know that the people actually doing a job are often best placed to recommend ideas for improvement so we want to encourage:

A questioning approach to the way we all do things.

The basic flow of ideas to be upwards rather than downwards. Management may not always be in a position to implement these ideas but a good idea is worth talking about.

*Good Communications—Have You Heard?*

In a large Directorate, good communications are necessary upwards, downwards and sideways. We need staff to be committed to promoting and carrying out this responsibility both formally and informally.

*A Job Well Done*

Personal accountability is the first step in achievement. When each individual in the Directorate knows exactly what his own responsibilities are he can work effectively in a team. As well as this he is able to set his own targets in his field and develop not only his job but also the general efficiency in his section.

### *Working For The Community*

We are ultimately working directly for the residents of the Borough that has many unresolved problems. They expect—and so do we—a high level of service and a degree of personal commitment. That commitment will vary between jobs and level within the directorate, but a higher level will be sought here than in local authorities with fewer problems or organisations not involved in public service.

### *Within the Authority—A Corporate Approach*

Finance is one of thirteen Council departments all working together for the benefit of the community. With the responsibility for the financial dealings of the Council, we have an important part to play in achieving monetary targets and helping Councillors and Officers to respond to the Borough's needs.

### *Working Efficiently*

In all areas our goal is to achieve good working practices. We give a greater priority to doing an adequate job economically and efficiently than an excellent job at great expense. However, in all sections there are specific tasks or functions that have to meet high minimum standards.

**Appendix III****ACTION PLANS: INTRODUCTION****(a) Cost Centres**

The cost centres used do not exactly correspond to those used for budgetary control purposes. The 'budget' cost centres are less detailed than those used for management information purposes in this document. The budget cost centres reflect the level to which budgetary control has been delegated—this is only one aspect of management control. The Action Plan cost centres very closely follow the general senior management responsibility of the Directorate.

**(b) Functions and Objectives**

These often include an assessment of the percentage of time spent on each function.

**(c) Performance Standards**

Most of the measures used are workload, throughout or input measures. To a purist, there may be a lack of output measures. Output measures are always extremely difficult to identify and quantify, though those which can be identified, even if not quantified, have been wherever possible. It is felt, however, that the measures used represent a practical and realistic approach to measuring what the Directorate does.

**(d) Key Targets and Specific Targets**

The general intention has been to subdivide targets between those of more strategic significance (key) and of particular sectional interest (specific). In some areas, only one or the other have been included. The major targets for the Directorate as a whole are included on the first yellow page.

**(e) Rating of Achievement and Targets**

The Department has developed its own system of measuring the degree of achievement of action plan targets.

The essence is some simple and standard percentages:

40 per cent = little or no achievement

60 per cent = achievement of some but not all of targets

80 per cent = adequate achievement

100 per cent = ideal achievement

120 per cent = excellent achievement

These are not precise mathematical 'scores' as in an examination. They are approximate assessments.

In many areas of work, 80 per cent is the target level. In a number of key areas, 100 per cent is essential.

Targets are also prioritised as follows:

C = Critical

N = Necessary

D = Desirable

It has not been possible to achieve ideal or adequate performance even in critical areas: There is an extent to which the targets are ambitious.

(f) *Involvement at all Levels*

The action plans have been prepared after comprehensive consultation and discussion on detailed targets and standards by all staff.

Distribution is as follow:

- (i) Everyone in the Directorate has a copy of his own work-group's form(s)—typically at section or sub-section level.
- (ii) Middle and Senior Managers and DMT have the full set for the whole Directorate.
- (iii) A number of copies are sent to other departments, Chief Executive, and other authorities and organisations on request.

All managers, particularly Middle Managers, are expected to use the material for discussion of their section or sub-section's progress with all staff at least quarterly and preferably more often. It may be necessary to revise targets and note achievements. These are passed upwards through divisional management team and DMT level where any operational or strategic decisions needed can be taken.

The emphasis on ongoing work has enabled sections without many or any key targets more visibly to demonstrate their continued, but often unsung achievements. It enables ongoing discussions about the extent to which targets are achievable given the resources available.

# *Property Taxation and the Role of Local Bodies : Policy Issues in Housing*

M.A. MUTTALIB

THE GOVERNMENT'S involvement in housing flows from the nation's constitutional commitment to democracy and development. In keeping with the importance of primary human needs after food and clothing, housing is receiving attention of the policy-makers on a priority basis. Nevertheless, the government's role in public housing is restrained by the requirement of heavy public investment. Although quite a few public agencies participate in building constructions to make available residential houses, their contribution is of very limited order vis-a-vis public requirement. By and large, the public policy is to promote the housing activities to help solve the national problem of housing shortage in general, and to provide subsidy to the weaker sections in particular, to enable them to obtain shelter for themselves.

## **INTEGRATING PROPERTY TAXATION WITH THE NATIONAL ECONOMIC POLICY**

Property tax like other taxes, must be treated as an integral part of the national economic policy in promoting the national objectives, including housing. In this endeavour, all the three levels of government, namely, central, state and local governments, have a direct participative role. While property tax is essentially a local tax, the central and state governments also have direct involvement in the levy of taxes on properties through the central Wealth Tax and the state levy on transfer of properties. In a way, they are all the variants of property tax. In fact, several reform committees have felt that the above central and state taxes have caused certain amount of inroads in the local property tax. Hence, some of them have suggested suitable constitutional amendment as the protective measure. Considering the local financial inadequacies, some portions of these central and state tax proceeds if not in their entirety should be

transferred to the local authorities to help them emerge as viable self-governing institutions to serve the rural and urban settlements in a meaningful manner.

#### AUGMENTING HOUSING STOCK.

The role of the local bodies in housing through property taxation may be viewed from different angles. The promotive role through property taxation assumes two forms : first, to help contribute to the housing stock to reduce housing shortage; and secondly, to ensure the quality of civic life through better housing. The first can be attained by levying a higher rate of property tax on vacant urban land with a view to discourage speculation and to take up constructions at the earliest. The second can be fulfilled through service-oriented approach of property tax, with its components among others, being water tax and sanitation tax. The tax-payers will have no grudge for prompt payment of the tax, if in return, the civic bodies ensure better quality of civic life. If the first helps augment the local revenue, the second regulates the local expenditure, thus contributing to the capacity of civic bodies in rendering better civic services.

The promotive role of the property tax can be not only through levy of additional rate of tax but also by partial, if not total, exemption, of tax initially for a period of five years or so when employed as an incentive for private capital investment in building construction. Such an incentive may be justified on two-fold premises. First, the return in the form of rents from the residential buildings constructed particularly in the outlying areas of the city is not worthwhile when investment in other sectors of business can fetch manifold profit or interest. Besides, the crippling effect of the Rent Control Act is another source of disincentive to private investment in building construction.

#### BETTER HOUSING AND ENVIRONMENTAL PROTECTION

The World Bank while reviewing urban financing in developing countries in its latest Research News, indicated that urban property tax which is the mainstay of local revenue, has generally not kept pace with the growth of urban income or property values; and often, not even with the growth in urban population, preventing the local bodies to render adequate civic services including environmental protection. For instance, in Andhra Pradesh the population growth in the municipalities during the decade 1971-1981 was 45 per cent while the average growth rate of property tax was 20.6 per cent from 1975-76 to 1981-82.

The general property tax is essentially a part of Indian administra-

tive culture and touches practically every one who owns property, whether he is an individual, an association, a company, state or central government. This gives rise to a clash of interests and conflict of values not only among the local government and each category of tax-payer, but also among the legislature, the executive and the judiciary which are directly involved in the governance of the country.

There is substantial concensus among the legislators, administrators, judges and specialists as to how to improve revenue from property tax. Almost all the enquiry commissions and individual experts have agreed on the causes of ailment of property tax—whether inelasticity of the tax or inadequate collection performance. But there is a great difference between the enquiry commissions and experts' recommendations in evolving of assessment technology—the core of its ailment. The former have only endorsed the validity of Annual Rental Value, while the latter seeks complete departure from this traditional pattern and have propounded various substituting formulae for Annual Rental Value through standardisation of methods and procedures. Some of the cities like Bombay, Bangalore and those of Kerala who acted in the direction of standardisation of methods and procedures, have run into difficulties. Thus the Supreme Court disallowed the Bohibay Municipal Corporation from imposing a separate rate of tax for the properties in posh locality. It also quashed the Kerala legislature's stipulation for deletion of urban area for purposes of tax assessment on the basis of local factors. Similarly, the exemption of new constructions from the Rent Control Act, though approved by some of the enquiry commissions as well as experts, was struck down by the Supreme Court as discriminatory.

The central and state governments have direct responsibility in improving the local revenue. The increasing scale and pace of construction activity of the central and state governments have significantly contributed to the existing strain and stress on the local capacity to render civic services. Further, the pre-Independence legacy of discrimination between government property and private properties in respect of property taxation still persists to the detriment of local revenue. Thus, the question of payment of property tax by the central government agencies has not been fully settled. A longterm solution of the problem is long overdue, in spite of the fact that commissions and committees have approved the local claim of full payment of property tax by the central government.

Financial inadequacies of the urban government and therefore, its incapacity to render civic services commensurate with the national standards, are the outcome of the policy of the state government also. The indiscriminate use of all forms of tax relief with constitutional, legal and other basis along with competitive taxation on the same

basis by higher levels of government, has narrowed the scope of the levy of property tax. However, there are other hurdles like lack of political will to streamline assessment techniques and intervention in respect of the periodic tax revision on populist ground.

The policy of state government in respect of total or partial exemption from property tax is yet another important factor that contributes to the weakening of the local revenue. The total exemption from property tax in respect of educational, charitable and religious institutions fetching revenue should be dispensed with. They may be made to pay service charges at par with the residential properties.

Sometimes, the legal ambiguity has also contributed to loss of local revenue. For instance, while the law does not make a distinction between owner-occupied and rented property, in practice there are different tax rates. The practice should be formally recognised under law to minimise official arbitration and thereby, to reduce scope for corruption.

Thus, the proposal of zoning of the urban settlement for purposes of property tax, should be considered to reduce the cases of over-assessment and underassessment and the existing complexity of tax assessment. In fact, the idea of zoning exists in rudimentary form in each city and town. Each zone comprises a locality or a group of homogeneous localities often with distinct physiognomy, demography and sometimes with separate politico-administrative identity. Properties from each zone with identical equality, ages, uses and local factors may be identified for determining the rental value per square foot. This scheme may help prepare the tax schedule within limited range of properties duly classified. It will simplify tax assessment and will help reduce official discretion and thereby, corruption in tax administration.

Finally, inadequacies of local revenue are often the cause of the low level of tax collection. It can be improved if incentives are provided to the municipalities, to the tax collectors and tax-payers. The degree of tax collection should continue to be one of the criteria for the performance of the urban bodies for their entitlement to various kinds of grants-in-aid. Tax collection can be a basis for performance of municipal commissioners and revenue officers for purposes of promotional opportunities. Thus a cumulative effect of all these measures will streamline tax levy, assessment and collection and will contribute to the enhancement of local revenue. It would also enable the local bodies to render adequate civic services for maintaining the quality of life.

#### RECONCILING MULTIPLE INTERESTS

A more imaginative tax policy has to be contemplated to balance

various interests with the national problem of housing shortage in view. For instance, the Rent Control Act which was well intentioned when originated, is a debatable issue. Besides the fact that it is now a source of discouragement for private investment in housing activities, the controversy has assumed multidimensions. The Act is now in need of revision with manifold objectives, to reconcile various interests to help maintain public interest. On the strength of the legislative measures adopted by the government of Andhra Pradesh, the rent limits suggested as a measure of protection from the operation of the Rent Control Act, is imaginative and realistic, if the philosophy of rent control is to provide relief to lower and middle classes of the tenant as well as the landlord on the one hand, and the municipality, on the other. It may be desirable to authorise the local council to fix the limits from rent control exemption according to the local conditions. In order to look after the interest of small landlords, the Act should provide for periodic rise on flat basis in the house rent to be announced by the Rent Controller to meet the hardship caused to small landlords and to local government commensurate with the rise in the cost of living on the basis of the data tabulated by an expert body. These calculations should be made region-wise if not city/town-wise to reflect the actual rise in the cost of living.

Also, the operation of Rent Control Act should be confined to houses fetching lower rents may be thousand rupees and below. Thus the change will remove the existing discouraging effect on private investment in housing. Moreover, all new constructions may be exempted as in Andhra Pradesh, from the orbit of the Rent Control legislation for ten years from the date of completion of construction.

#### MULTIPLYING EFFECT ON PUBLIC REVENUE

While fulfilling the national objectives like housing, one should not lose sight of the constraint for public investment for housing activities. The government should adopt such ways and means to encourage private investment in housing activities that may ultimately result in the augmentation of public revenue. For instance, the cinematography industry is facing a crisis. It should receive immediate attention of the policy-makers to ensure that investment in such constructions does not come to a standstill. For, once a cinema house is constructed, it may generate a number of sources of income to all levels of government—income tax to the central government, sales-tax to the state government, property tax, entertainment tax and show tax to the local government. Construction of cinema houses involving heavy investment, can be encouraged by imposing a moratorium on central, state and local taxes initially for 5 years or so to offset the effect of

interest on the borrowed money for the constructions.

#### PROMOTING DEMOCRATIC VALUES

Like any other tax, the property tax should be employed as an instrument for promoting national values. Thus, as a part of the national economic policy, it must help reduce economic inequalities by levying property tax on a graduated scale depending on the various forms of use of property with a view to minimise economic disparity among various classes.

In the first place, the tax levying authority in a democratic set-up, should endeavour to render the tax less burdensome. It may assume different forms. It may mean reducing the tax itself or its periodicity of payment. It may even consider tax relief to deserving individual tax-payers without a compromise on the constant increasing flow of revenue.

Also, the basic idea of tax revision to make property tax responsive to price change every fourth or fifth year, may have to be modified. It should be linked up with the local need. The rise in the tax should be made commensurate with the increase in the financial need. This measure will simplify the revision pattern and will reduce the tax burden. Today, the public criticism of the property tax stems from the imposition of heavy tax after every periodic revision. This encourages litigations and sometimes, government interventions; both cause loss of local revenue. The tax revision should be attempted annually corresponding to the percentage of rise in the revenue budget which will be of low order and hence imperceptible. This will have a higher degree of public acceptability with reduced expenditure on assessment along with removal of corrupt practices.

The existing central valuation system should be streamlined by making it independent of the government control (with political overtone) for infusing confidence among the local government and the tax-payers. It should be made available with necessary infrastructure to undertake such survey for adopting the zoning scheme and for the rationalisation of tax variations. An independent Municipal Tax Tribunal should be set up for better dispensation of litigation cases by reducing judicial aberration through the restriction of the court of law, to entertainment of appeals against the Tribunal's verdict on questions of law.

#### PROTECTING THE UNDER-DOG

The local authorities should always have an eye on the tax-paying capacity of the tax-payers. As a welfare measure, tax relief may

assume different forms with different objectives in relation to different categories of tax-payers. Tax relief may be extended to those who have lost the earning capacity. This will be in the nature of social measure and a gracious gesture to those who otherwise, have all along been paying the tax. They may include widows, orphans and persons who have retired from service or who are no longer engaged in firm employment and do not have an earning spouse to support them. But considering the financial inadequacies, the state government should sponsor the entire scheme of the relief along with compensation to be given to the local bodies.

Sometimes, the development activities of the public agencies in certain areas, may contribute to escalation in the value of property, resulting in upgrading of rental value attracting rise in the property tax. The local authorities should be imaginative in effecting a rise in the tax in such situations. While it may reflect in the tax of non-residential rented buildings, such of those used for residential purposes, should be protected from the onslaught of tax-hike.

#### MUNICIPALISING NEW TOWNS AND URBAN FRINGES

Municipalisation of human settlement is now a ticklish problem. It has varied dimensions. In the first place, the existing dichotomy of rural and urban human settlements has contributed to rural resistance to municipalisation of bigger villages which have acquired urban characteristics. For, with the change in the description of the settlement, the residents will be called upon to pay new taxes or higher rates of tax. Moreover, they will be denied government grant-in-aid. The existing dual standards in respect of government policy of grant-in-aid available to rural and urban settlements, especially in respect of the villages and the small towns, should be reviewed. In addition, the uniform treatment of large, medium and small urban settlements without considering the local conditions in respect of minimum and maximum rates of property tax, has caused hardship to the residents of smaller urban settlements.

Further, the government policy of the treatment in respect of surrounding areas of a city or a town brought within the municipal limits, at par with the rest of the urban area without extending basic civic amenities like water supply, sanitation, roads and electricity, also gives resistance to municipal tax resulting in litigation. Provision for moratorium on the property tax in the urban fringes till the basic amenities are made available, has to be seriously considered. In the case of towns and bigger villages upgraded as municipalities, the rates of tax should be increased with the concurrent extension of civic amenities on a graduated scale over a period of time.

## PHILOSOPHISING POLITICS AND POLICY OF PROPERTY TAXATION

All direct taxes are unpopular in any human settlement. Property tax is one of the most widely debated among them. While basically the entire tax universe revolves around the relationship between the tax-payer and tax levying authority, the administration of property tax is a joint endeavour of the legislature, the executive and the judiciary involving politicians, administrators and judges governed by the desire to promote happy life whether he resides in his own house or rented house, irrespective of the profession he practices. However, their dissimilar professional backgrounds, their different roles and their individual interest should reflect in the decision-making process at their respective levels. It is true, they function on the basis of separation of power. But in practice, each aligns himself with distinct interest of the society, local settlement and the individual member thereof. Thus, the legislature lays down the broad legal framework in the context of larger interest; the local executive promotes the municipal interest and the judiciary protects the individual tax-payer from legislative and executive arbitrariness.

Politics of property tax is a continuing dynamic phenomenon as long as democracy and development remain the national objectives. Issues may change with the stage of development of the country but the clash of interest between: (i) local vs central government; (ii) local vs. state government; (iii) local vs. tax-payer; (iv) politician vs. administrator; (v) administrator vs. judiciary; conflict of values like equity, natural justice, fairness, reasonableness, efficacy and accountability; and the application of some of the principles of public administration like decentralisation, tax incentives, annual rental value, capital value, as basis of assessment, tax benefit, tax payment ability, all will continue, may be with a change in their emphasis. While the tax levying authority may be interested in augmenting its revenue, the compulsions of the ability of the tax payer and his welfare will have all-pervading effect on every component of property tax, whether levy, assessment or collection.

To sum up, the central and state governments should help the local authorities in the rural and urban settlements to take the following policy decisions in the context of housing, as remedial measures to meet various problems encountered under the impact of the existing policies and practices in the field of property taxation :

1. The local policy of property taxation should be restructured within the broad framework of the national economic policy with a view:

- (a) to integrate local finance as a part of national finance; and
  - (b) to accommodate local limitations like local, administrative and financial inadequacies.
2. A more imaginative local taxation policy should be contemplated to help contribute to the housing stock to meet the problem of housing shortage depending on the local requirements:
    - (a) by additional tax rate on urban vacant land to hasten building construction;
    - (b) by partial or total exemption of tax on new constructions for a specified period as an incentive for private capital investment with suitable compensation extended to the local authorities; and
    - (c) by reducing the ill-effects of the Rent Control Act through exemption of new constructions and high rent fetching buildings.
  3. For better housing and environmental protection, the local financial and technical competence should be reinforced through the adoption of constitutional and legal measures along with the necessary political will for implementation on the part of higher levels of government. They should help.
    - (a) augment the local resources;
    - (b) streamline the tax structure to simplify the existing methods and procedures, reduce administrative discretion and the burden of tax payment;
    - (c) allot certain portions of the proceeds of central Wealth Tax and Estate Duty and the state levy on transfer of properties to the local authorities;
    - (d) discard discriminatory treatment meted out to central government properties;
    - (e) obtain compensation in lieu of tax relief extended to religious, charitable and educational institutions as part of the national policy and to various categories of tax-payers like widows, orphans, etc., as welfare measure; and
    - (f) provide incentive to municipalities, tax-payers and tax collectors with a view to augment local revenue.
  4. A balanced approach to varied conflicting interests involved in property taxation should be conceived. For instance, it may be achieved by:
    - (a) suitably amending the Rent Control Act to restrict its operation to houses with lower limits of rents; and

- (b) requiring the tenants to pay the rise in the house rent on a flat basis, announced periodically by a public agency.
- 5. An independent Municipal Tax Tribunal should be constituted for the disposal of tax appeal cases to reduce judicial aberrations. Only appeals on questions of law should be entertained by the court of law.
- 6. The existing process of municipalisation should be revised to reduce hardship and popular resistance:
  - (a) by dispensing with dual standards of grants-in-aid and policy for rural and urban settlements;
  - (b) by adopting different rates of tax for the urban fringes and new towns as part of the municipalisation process until they are brought on par with other urban areas in respect of civic amenities. □

## *Book Reviews*

*Municipal Government and Urban Development : A Study of the Reforms in West Bengal*, ASOK MUKHOPADHYAY, New Delhi, Centre for Urban Studies, Indian Institute of Public Administration, 1984, Rs. 80.00.

This book seeks to offer "a critical account of the various reforms in municipal government and urban administration in West Bengal between 1977-78 and 1982-83." The series of municipal reforms brought about by the Left Front government in West Bengal stand in sharp contrast to the relative inaction in the matter of municipal government in other states in India. The contents and implications of these reforms have been examined in this book to find out whether these reforms and the way these are being implemented have been adequate for improving the status of municipal government.

The maverick of Indian local self-government Surendranath Banerjea had created a stir in the early 20s by enacting the Calcutta Corporation Act, 1923, where, for the first time, the chief executive of a local body was politically elected in India. Yet, thereafter the state government, both before and after Independence, for a long period of about fifty years, was not active in this area apart from substituting the 1923 Act with the 1951 Act to fall in line with the all-India pattern of municipal corporation administration. The supremacy of an appointed civic servant over the elected councillors was thus restored and confirmed.

It is indeed remarkable, therefore, that in West Bengal within a short span of five years, under the Left Front government, as many as four major legislations, three new institutions, an expert body report, and a substantial metropolitan development programme were mounted and delivered in an otherwise supine and listless work environment of the state government.

A list of these achievements is worth quoting to keep the records straight : The West Bengal Central Valuation Board Act, 1978; the Directorate of Local Bodies in 1978; The Directorate of Municipal Engineering in 1978; The West Bengal Town and Country (Planning and Development) Act, 1979 ; The Calcutta Municipal Corporation Act 1980; The Report of West Bengal Municipal Finance Commission

in 1982: the Institute of Local Government and Urban Studies in 1982; and the Calcutta Urban Development Programme III in 1983.

Who bothers about municipal reforms? Many people talk about it, but only a few do anything. Asok Mukhopadhyay's book confirms it. He writes at the very outset that the agents of reform in West Bengal during this period were senior officials, non-official experts, party sympathisers and aid agency, altogether not more than ten perhaps, who played the most crucial role. The political atmosphere doubtless was also propitious for municipal reforms, especially after the state government had made known its strong desire to restore local democracy through institutional and managerial changes.

If the reforms, *i.e.*, the new legislations and institutions, were horses, the reformers could ride. Unfortunately it is not so. The author explains this by making a few interesting observations both on the reforms and the reformers. For instance, on the reforms he says that these are fairly comprehensive but these do not visualise municipal government as a legitimate level of government competent to make choices on behalf of the local community in respect of urban planning and development. As such, the reforms essentially aimed at system maintenance and correction rather than system replacement.

At another place the author points out that initiatives for reforms did not come from within the municipal world; most of these had been suggested either by urban planners, experts in urban economics or aid agency. One wished, he had clarified this issue a little. There can be two presumptions: if the initiative for reforms had come from local bodies themselves, would they or would they not have aimed at system replacement? Alternatively, how exactly is the present system in need of replacement rather than being improved after corrections? The author is not clear as to which course he would have preferred or which he would have prescribed in the present circumstances.

Yet he does give away his mind when he says that the reformers were pragmatic and practical in their readiness to face the challenging situation to delegate more functional and financial responsibilities to the local bodies. He even credited the reformers with sound common-sense as they presumably believed that no reform could be successful if undertaken on grounds of technical consistancy, efficiency or economy alone.

I do get the feeling that perhaps the author could not make up his mind as to whether he would commend the reforms and the reformers at all; if to do so, where to stop, and if not, how not to hurt or to appear a cynic.

Mukhopadhyay, however, is dead right when he says that these reforms did not come as a package policy on municipal government

and urban development. This is best evidenced by tardy implementation and willing acceptance of subsequent amendments, many of which have blunted their edge. He accuses the state government of a scepticism about the capability of municipal bodies, and of a certain amount of ambivalence towards them. He finds it unacceptable that it has never been made clear even on policy level whether municipal government is being visualised as the primary agent of urban planning and development in the state. The pattern of management in the district municipalities remains the same as before; only in Calcutta and Howrah (in a modified form) the mayor-in-council system has been introduced. Chandernagar which is the third municipal corporation, has not been given the same status, though.

If the book had been written two years later, the author would no doubt have quoted many telling examples, as to how the hopes and aspirations behind these reforms have come to naught during their implementation. The Calcutta and Howrah Corporations perform with the old mentality, inefficiency and lack of purpose; the Central Valuation Board has been a non-starter; the Directorate of Local Bodies has turned out to be a routine regulatory body; the Institute of Local Government Studies has failed to create any impact on skill-formation and professionalisation of the municipal personnel; the MFC recommendations have been respected only half-heartedly; the CMDA III programme has not reached even 40 per cent of its performance in the third year of its five-year span; the Town & Country Planning Act is not much of a help in contemporary city development; so on and so forth. All in all, it has been a triumph of hope over experiences.

Let me make one more comment and be done with. The book's title promised much, atleast to me. I was expecting to see how Mukhopadhyay would analyse municipal development in the context of a metropolitan programme, that is, a classic two-tier relationship, which promised so much in the Calcutta situation. And while doing so, how he would place the recent municipal reforms in that relationship; that is, whether conceptually, they fitted into the process, and whether their actual implementation to further urban development has been a success, and if not, why not. Unfortunately, he has not done so, and that has disappointed me because it appears to be an excellent meat for research and Asok Mukhopadhyay is quite competent to handle it.

Yet such a book needed to be written because it records at one place what has happened, how potentially useful the reforms are, and why these needed to be introduced. It is worth reading this book.

—KALYAN BISWAS

*Developing Small and Medium Towns : An Evaluation of Administrative Machinery*, RAJ NANDY, New Delhi, Indian Institute of Public Administration, 1985, Rs. 100.00.

Raj Nandy is a compulsive writer with an incisive style and in this book he bares the anatomy of the management structure relentlessly to expose the harsh realities in the process of government and the contrast between the facts as they are and the ideological fiction we blindly pursue. His choice of the city of Karnal as a case study to illustrate the points he makes is more by accident than by design as Karnal happens to be a medium size city covered under the IDSMT programme of the Government of India, which he was using for a training course for evaluating the effectiveness of the IDSMT programme. Perhaps any other town would have equally served his main purpose.

For the same reason the title of the book is somewhat misleading. Except for the guidelines for IDSMT, the chapters deal critically with the management structure, management processes and management failure of urban areas at all levels, state, district, and municipal. The book is a serious discussion, against a factual background, of the principles of governing or administering the society by a body set up by the latter, the mutual obligations of the government and the responses of both under different conditions. The entire first chapter is devoted to this task, identifying the several approaches to the governance of a society and a reconciliation of what could be considered as a synthesised solution. The author has chosen to draw illustrations for his thesis from the DTP set-up and HUDA organisational structure. Basically it is the conflict between individual's or a group's interest and the interest of the community supposedly protected by the government through such offices as those of DTP and HUDA. The individual's interest is concrete, identifiable and can be strongly promoted and fought for. It is the public interest that is abstract and elusive and often difficult to defend and protect. The task of the DTP and HUDA thus in protecting the public interests is hopelessly circumscribed by political influences, administrative inclinations and organisational deficiencies which have been brought out in the book explicitly and well.

So far as development of small and medium towns are concerned, the guidelines for the scheme of IDSMT set out by the Government of India leave much to be desired as was brought in the IIPA Workshop on this programme. Mr. Nandy's analysis pointing out that none of the key officers at the District and Municipal levels and in HUDA were even aware of the scheme while they were supposed to be implementing them is a telling comment on the scheme itself,

its proponents and those involved in carrying out. Recently, the research and analysis sponsored by the World Bank has revealed that "conventional efforts to engineer urban growth often fail because they do not take adequate account of broader issues". The growth of small and medium size towns is influenced by the pattern of economic activities in the region, the production of agricultural surpluses and the resource potential and opportunities for its exploitation and rarely by the amount of investment one wants to pump into the towns which, in any case in the case of IDSMT, is much too insignificant and disparate to make any impact. IDSMT scheme is largely structured to meet the convenience of the financial administrator, who is least concerned with the impact it has on the town, the eagerness of the state government to grab as much as it can from the central government, without any real commitment of its own efforts and the silent and willing conformity of the local body or state government machinery to whatever the state administration and political leadership would wish them to do.

Perhaps the only bright patch in this whole process of connivance to spend funds to suit the interests of each agency is the office of the Director, Town Planning (DTP) which prepares the IDSMT plan, as in the case of Karnal, faithfully in accordance with the guidelines and helps it to get processed. Once it gets approved and funds become available, the spending agencies take over; the DTP becomes a helpless onlooker of a programme it is unable to monitor and being a state government officer, becomes unwittingly an accessory to its misuse. Mr. Nandy's book has brought out these facets with illustrations admirably and should help to influence future thinking on the schemes for urban development.

The chapters on Karnal Town and Karnal Municipal Committee provide an insight in depth into the growth problems of the town and the extremely inadequate and inefficient municipal organisation which has to handle the problems. The situation of other towns in India, except in a few cases, are not very different from that of Karnal. In exposing the Karnal situation, the author has drawn attention to the problems of all the medium size towns in the country which are covered under the IDSMT programme. The need for a radical restructuring of the local administration and its links with the district (Deputy Commissioner or Collector) and the state (Director of local bodies and Department of Local Self-Government) is well brought out although Mr. Nandy, perhaps wisely, has refrained from suggesting specific solutions as those are likely to vary from situation to situation and context to context.

In a brief review it is difficult to comment on the many aspects of urban development administration which the book has drawn attention

to. The almost *laissez faire* attitude of the general public towards unauthorised building, encroachment and unlawful use of land and buildings on one side, and the travails of the DTP to run from court to court to get the matters set right and to punish the wrong doers and the total unconcern and the casual attitude of the state bureaucratic machinery taking no responsibility but holding others responsible is undoubtedly good reading but lead to serious doubts about the essentials of the governing structure and its usefulness to society. Remedies are needed and urgently. No single answer appears possible.

So far as IDSMT scheme for small and medium towns is concerned, the author's conclusions set out below should make the central government in the Ministry of Urban Development and state government to sit up and take note in the future structuring and administration of the programme.

"Telescoping through the much inclusive superior national strategy of the 20-point programme, the 'IDSMT' at Karnal appears to be largely a form of welfare for the well-to-do, and seen through the eyes of the administrative machinery, it is more of an 'expenditure' mechanism than an 'integrated development' one—for the scheme appears to be looked at in a vacuum and not in relation to the national perspective or strategy".

One can only hope that 'people concerned' will read Mr. Nandy's book and will be urged to move in the many directions indicated.

—C.S. CHANDRASEKHARA

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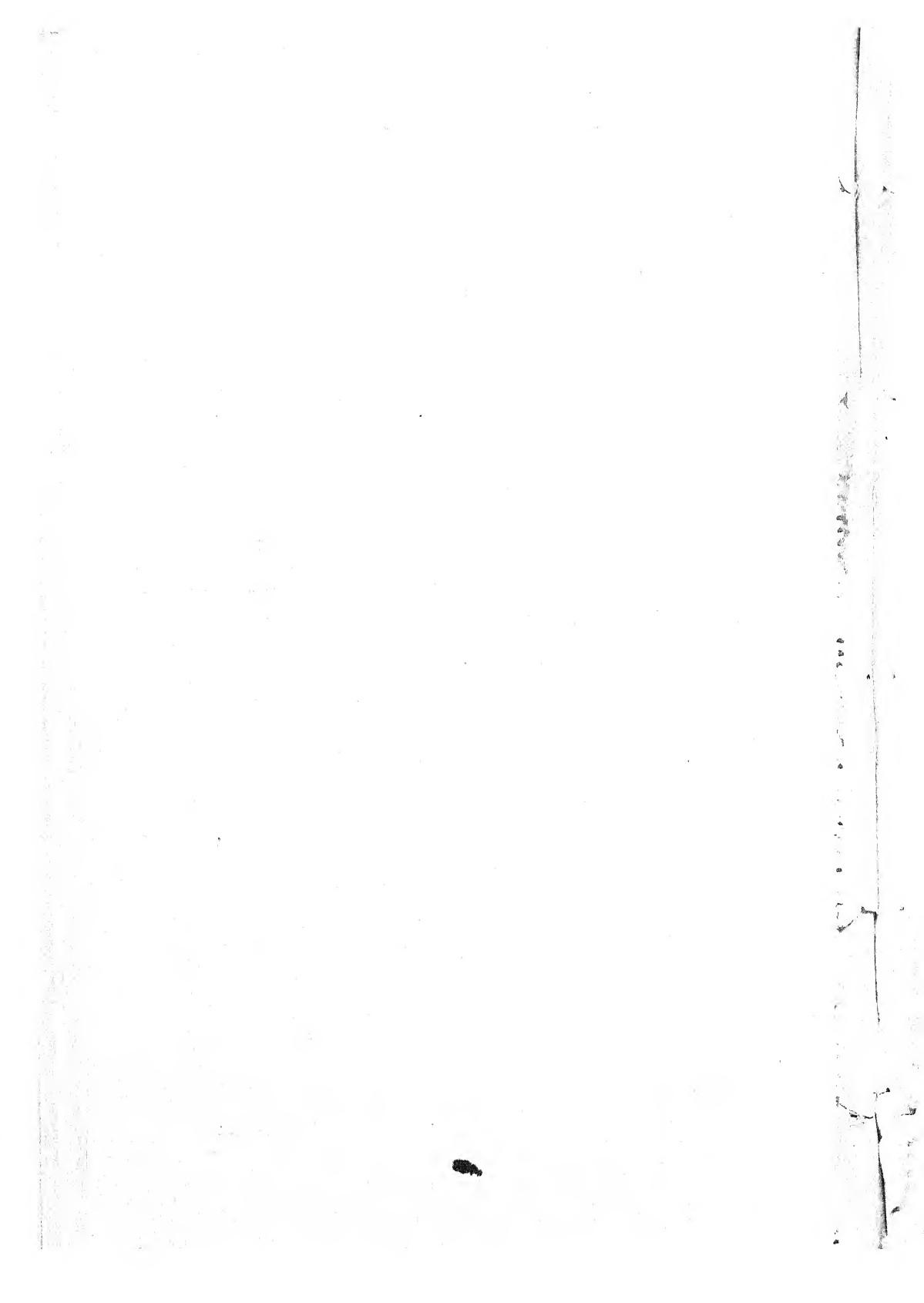
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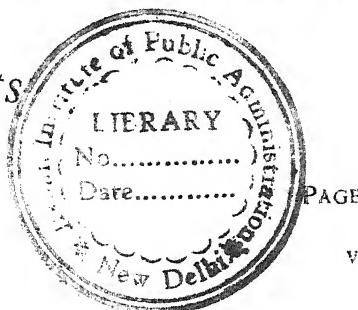
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## SPECIAL ISSUE ON DEVELOPMENT OF INDIA'S SECONDARY CITIES

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## *Editorial*

A quarter of India's total population is now residing in urban settlements. The process of urbanisation has led to metropolitan centred growth. The twelve metropolitan cities together accommodate more than quarter of the total urban population and this has led to a debate on the virtues of metropolitanism and decentralised urban growth. Public policy for decentralised urbanisation has at times advocated a check on the growth of metropolitan cities which significantly add to the total employment and income of the population residing in the cities due to the variety of job opportunities in the various sectors. However, this imposes heavy stress and strains on the civic services and infrastructure [which cannot develop to the extent required to meet the challenges of urban development.

Viewed in this context, the strategy of decentralised urbanisation has its own relevance and virtues. The secondary cities have tremendous scope in this regard. Contrary to the general belief that these cities have been declining, they have been growing at the growth rate which is very near to the growth rate of metropolitan and class one cities. They have been growing rather autonomously. A conscious and explicit policy for urbanisation and urban settlements and a strategy for the development of secondary cities would further consolidate, channelise and accelerate their growth.

The centrally sponsored programme for the Integrated Development of Small and Medium Towns launched in the Sixth Five Year Plan was a significant step in this direction. However, its implementation has been considerably diluted because the programme content as also the policy support for effectuating it has, by and large, been only cosmetic in its nature and content.

This special number of *Nagarloka* raises issues in the development of secondary cities in India and reviews the on-going programme for the development of small and medium towns. It is hoped that the paper included in this special number would positively help in devising a suitable strategy for the development of India's secondary cities.

—Editor



## *India's Urban Future: The Role of Secondary Cities*

M. N. BUCH

THERE ARE two conflicting views of the process of urbanisation in India. One is that the differential between the growth rate of urban settlements and rural settlements is so heavily biased in favour of the urban that imbalances are beginning to manifest themselves in our settlement pattern. The second view is that there is nothing in our urban growth rate which need cause alarm and that the trends exhibit only a normal, secular characteristic in which the apparently faster growth of urban settlements is at least partially explained by the conversion of rural areas on the fringe of urbanisation into settlements defined as urban by the Indian Census.

On a different plane there are two other perceptions of urbanisation. One is the alarmist view point which sees urbanisation from the micro level of the city and reacts to the problems of lack of infrastructure, poor housing, overcrowding, the emergence of slums and the relatively poor quality of life which is evident in our large cities. A second, more optimistic and, perhaps, realistic perception of urban settlements is that they are the centres of non-agricultural, productive activity, which absorbs the population rendered surplus in the rural areas. The capacity of agriculture and allied activities to absorb the normal demographic accretion to the main work force is steadily declining, having reduced from about 72 per cent of the main work force in 1971 to about 68 per cent in 1981, and presumably, 64 per cent in 1991. There has also been a very sharp decline in the share of agriculture in the gross domestic product and, by the turn of the century, it is likely to be just under 25 per cent. Whilst the share of agriculture and other rural activities in the main work force has declined gradually and not at the alarming rate that one finds in Latin American countries, the fact still remains that in an environment of growing population the additions to the labour market will necessarily have to be found employment in the non-agricultural sector. In this context the second view point, to which we have referred above,

predicates that urban India has a very positive role to play in the restructuring of the Indian economy in future.

What is the direction of urban growth and how should it be channelised? The problems of the metropolitan cities and the very large number of people who migrate to them every year would suggest that the future of metropolitan and that only a few large urban centres will account for the majority of the population. A look at the Census of 1981, however, belies this view. There are 555 towns and cities which, in the decade 1971-81, grew at a rate faster than the national decadal growth rate of 46.02 per cent (urban). Of this, only 4 cities are metropolitan and only 13 with a population between half a million and one million. The rest, 538 in number, are towns and cities with a population of less than a half-million each. The smaller order of towns, especially in the more backward states, have exhibited fast growth characteristics. Even in terms of distribution, these 538 towns of less than half-a million are spread fairly evenly throughout the country. Andhra Pradesh and Uttar Pradesh each have 78 such towns, Madhya Pradesh and Bihar each have 59, Karnataka has 39, West Bengal has 30, and even relatively smaller states such as Orissa and Punjab have 23 and 21 respectively. The two most urbanised states, Maharashtra and Gujarat, have relatively fewer fast growing towns, the number being 29 and 16 respectively. One could safely state that not only is there a fairly well balanced distribution of urban settlements, but that growth is also equitably distributed.

The present pattern of urban settlements and the growth trends would suggest that, given the right policies, it should be possible in India to avoid the domination of a few cities over the whole country, as is the case in some of the Asian, African and Latin American countries. In other words, the fact that 3.5 lakh people migrate to Bombay every year or 2.5 lakh to Delhi need not overawe us, because the wide range of fast growing towns does offer us the possibility of developing alternative targets for migration. If we are able to strengthen the hierarchical linkages of the fast growing towns with their hinterland and micro regions, it should be possible to nudge the urban pattern towards a system in which regional growth centres outstrip or at least counter-balance the importance of the metropolitan cities.

Undoubtedly, the metropolitan cities offer economies of agglomeration, which influence entrepreneurial choice in the matter of location of economic activity. However, there are other forces at work also which influence the urban economy of the country. Transportation networks, major irrigation commands, location and resource specific industrial activities, are all factors which determine both the location of urban centres and their size. For example, where agriculture is prosperous and a generator of large surpluses, the settlement size tends

to be small but well distributed geographically. In the case of resource specific industry, the urban settlement tends to be large, but isolated in the midst of a relatively under-developed hinterland. Herein lies the seed of the future strategy which would permit urban growth in equilibrium throughout the country. There is no particular compulsion to concentrate urban activity only in a few large centres such as Bombay, Calcutta, Kanpur or Bangalore. The logic for exploiting the potential of all or some of the 538 fast growing small and medium towns is self-evident. In fact the economies of locating in these fast growing urban centres could well counter-balance any economies of agglomeration that might be available in large cities, not only positively but on the negative account of the dis-economies which are now becoming evident in the overloaded infrastructure of large cities.

How would one go about the task of developing the fast growing towns? A start should be made by identifying those factors which account for fast growth in a particular town. Where a symbiotic relationship between settlement and activity is established, it is this relationship which would need to be strengthened. For example, in Punjab, Haryana and Western U.P. the relationship between the economy of surplus in the rural areas and the mandi towns is very clearly evident. If the infrastructure of these towns is improved, communication and transport linkage strengthened and agro-based industries fully developed, the whole region could become a closely inter-linked hierarchical settlement system, which would not only prevent migration from the region but could also provide employment to in-migrants from poorer areas.

In the case of resource specific industries, which give rise to large townships in the midst of a backward region, a strategy of downward linkages would have to be adopted. In other words, simultaneously with the setting up of the industry, there would have to be massive technical, financial and extension input into the region so that it develops agriculturally. The industrial township creates a demand which the region must be equipped to meet locally. With inflow of wealth into the rural hinterland there would be a simultaneous growth of demand for consumer goods in the region also, which would, in turn, lead to the development of processing and consumer goods manufacturing industry locally. Here, by deliberate effort, the industrial town would send roots deep in to the countryside, which would help the region to develop a strong economic base. Once again, the industrial town and its hinterland would act as a strong employment centre and would thus mitigate migration to large cities.

There is a connected issue which influences urbanisation. There are many programmes for rural development, elimination of rural poverty and increasing the potential of the rural areas to provide local employ-

ment. All these programmes are aimed at enhancing rural prosperity. As the rural areas prosper, the demand for access to social infrastructure increases. In particular this takes the form of a desire for higher education and for availability of medical services. There is also a greater demand for trading and manufacturing activities to service the rural community. The higher levels of social infrastructure, as also trading and manufacturing activities, requires a certain scale of operation. It is only an urban settlement which can provide the scale. Therefore, as a necessary concomitant to rural development, there will have to be an input into the development of a large number of towns in which can be located the social infrastructure for servicing the rural community. When we add to this the fact that approximately 90 million potential rural migrants will have to be accommodated in urban, non-agricultural activity in the next 20 years, the rationale for hierarchical urban development becomes absolutely clear. It is totally beyond the capacity of the metropolitan cities to absorb this huge migration stream. This makes it all the more important that we adopt a positive policy to develop a large number of urban centres in the coming two decades. There could be no stronger case made out for the development of our fast growing secondary cities as a means of avoiding total urban anarchy in the coming years.

To sum up :

1. The impetus to urban growth will increase in the future.
2. As many as 90 million potential migrants are likely to find their way into urban India in the next 20 years.
3. There are 538 fast growing towns of less than half-a-million population each which cry out for development and which should be selected as the growth centres which will both help in developing the regions in which they are located and absorb the migration stream in the future.
4. The programmes for rural development inevitably lead to a demand for access to social infrastructure and, therefore, a rationale for a policy for providing at least the minimum infrastructure in all urban centres having any regional influence is irrefutable. □

# *Role of Secondary Cities and the Strategy for Their Integrated Planning*

RABIN GANGULY

## THE SMALL-MEDIUM TOWN CONCERN

A LARGE NUMBER of Less Developed Countries (LDC) all over the world have recently been concerning themselves with the question of a national urban settlement system. It is argued that the processes of economic development and urbanisation are highly correlated and consequently, the continuing primacy of large cities in these countries is a major stumbling block in the efforts towards achieving a desirable level of economic development distributed over the national space. From this argument has emerged logically a very strong interest amongst the LDC governments for intervention in the present pattern of urban settlement system and to devise appropriate efforts in a manner that primacy is countered, faster urbanisation is encouraged in small and intermediate cities, and thereby economic development dispersal is accelerated.

A recent United Nations assessment<sup>1</sup> on this issue revealed the extent of concern amongst the LDCs of the world about this problem of imbalanced distribution pattern of urban settlements and population. The assessment indicated that :

- (i) Sixtytwo per cent of the LDCs find the spatial distribution of urban population 'Unacceptable'.
- (ii) Most LDCs indicated the extreme concentration in few Metropolitan centres as the principal reason for 'Unacceptability'.
- (iii) Sixtyfive per cent of the LDCs strongly favour a 'deceleration' of migration towards large urban centres as a possible solution to the problem of unacceptable spatial distribution of urban population, and  
Eleven per cent even suggest a 'reversal' of the migration flow.

<sup>1</sup>UN, *World Population Trends and Policies*, Monitoring Report, Vol. I, 1977, and Vol. I, 1979.

- (iv) Most LDCs indicated strong inclination to adopt appropriate policies and measures to achieve 'deceleration' by establishing a bias for small and intermediate size cities.

A further exploration in this question of unacceptability has attempted to define the primary reasons in deciding for the small and intermediate city bias expressed by the LDCs.<sup>2</sup>

#### *Efficiency Argument*

Scale of size economies is not infinite, and as the size reaches a particular population level, the economies are replaced by diseconomies causing the efficiency to decline in large cities. Further, the cost of providing infrastructure and basic services in large cities rises disproportionately beyond a particular population size and heavily tax upon the scarce resources.

#### *Equity Considerations*

A more equitable distribution of urban centres and population on space is more conducive to the accomplishment of national development objectives and regional economic growth. The present pattern is exploitative in that the few large urban centres tend to polarise national and regional resources creating imbalances in economic gains.

#### *Failure of Trickle Down Mechanism*

Growth, once concentrated in few large cities, tends to perpetuate itself rather than to trickle down to smaller urban centres and to the rural hinterlands. This results in regional imbalance and disparity.

Most LDCs, that offer the reasons listed above as justification for their professed bias for small and intermediate cities, at least implicitly, agree that appropriate interventions can help them achieve the following objectives.<sup>3</sup>

- (i) deceleration of metropolitan growth;
- (ii) improvement in metropolitan regional structure through decentralisation;
- (iii) convergence of inter-regional levels of welfare through spatially distributed provisions of services and infrastructures;
- (iv) promotion of dispersed economic growth through programmes for industrialisation and diversification of productive activities in regions;
- (v) both diversion and reversion of migration;

<sup>2</sup>O.P. Mathur, "The Role of Small Cities in National Development Re-examined", in O.P. Mathur (ed.), *Small Cities in National Development*, UNCRD, 1982.

<sup>3</sup>H.W. Richardson, *City Size and National Spatial Strategies in Developing Countries*, World Bank Working Paper 252, April, 1977.

- (vi) opening up accessibility for rural areas to urban services;
- (vii) promotion of an efficient spatial diffusion network.

In pursuasion of above policies and programmes to infuse vitality and promote growth in the small and intermediate cities in the developing countries of the world have been initiated by the respective national governments.

#### INDIA'S EFFORTS IN SMALL-MEDIUM TOWN DEVELOPMENT

Although it is only in the fag end of the 70s, that some specific efforts to develop its small and medium towns have been undertaken in India and are currently underway, an awareness of the problem of urban polarisation and resultant spatial imbalance in development is well marked in India's planning machinery. The Third Five Year Plan (1961-66) while considering this issue, states:<sup>4</sup>

Urbanisation is an important aspect of the process of economic and social development and is closely connected with many other problems such as migration from villages to towns, levels of living in rural and urban areas, relative cost of providing economic and social services in towns of different sizes, provision of facilities like water supply, sanitation, transport and power, pattern of economic development, location and dispersal of industries, civic administration, fiscal policies and the planning of land use.

By implication, an attempt is apparent to assert that efforts in judicious development of towns of different sizes along with appropriate provisions for economic opportunities, social services and infrastructures, and efficient administration, may result in a desirable pattern of urbanisation. The plan document furthers this attempt by proposing:<sup>5</sup>

- (a) as far as possible, new industries should be established away from large and congested cities;
- (b) in the planning of large industries a regional concept should be adopted with planning extending beyond the immediate environs to a larger area, and the new industry serving as a 'focal point'; and
- (c) the rural and urban components should be knit together in a composite plan for strengthening economic inter-dependence between towns and surrounding areas.

<sup>4</sup>Government of India, Planning Commission, *Third Five Year Plan*, 1961,

<sup>5</sup>Ibid.

However, there was no concrete follow up of these propositions excepting that large public sector industries were located in resource rich but economically backward regions which could not generate much of impact on hinterlands since, firstly, their forward linkages remained with metropolitan industrial centres, and secondly, their labour pool was drawn mainly from metropolitan regions which generate skilled labour of wide variety. Some attempts were introduced in preparing master plans for the towns and cities of various sizes. These were mainly physical plans and were devoid of any bearing on economic, social and political problems influencing pattern of urbanisation. "The ideas of urban development such as preparation of master plans to promote development of small and medium towns seem random, lacking economic analysis and development orientation."<sup>6</sup>

The polarisation process of metropolitan and large cities continued unabated throughout the last two decades. Taking the growth of population as an indicator, it becomes evident from the following Tables (1-A and 1-B) that the population accumulation in the larger cities were much larger and faster than in the smaller towns and this definitely was a result of continuing large-city investments with larger share of urban economic opportunities created there.

Another problem of gravity that emerges from the table is the declining population of the smaller towns of less than 10,000 population which indicate that these settlements were unable to survive as a result perhaps of continuing rural under-development in their hinterlands.

TABLE 1-A PERCENT URBAN POPULATION BY SIZE CLASS, 1981

Total Urban	1,00,000+	50,000— 99,999	20,000— 49,999	10,000— 19,999	5,000— 9,999	5,000
100.00 (156,188,507)	60.37 (94,292,998)	11.65 (18,191,847)	14.35 (22,413,463)	9.52 (14,862,211)	3.61 (5,641,505)	0.50 (786,483)

TABLE 1-B PERCENT DECADAL VARIATION IN URBAN POPULATION BY SIZE CLASS, 1971-1981

Total Urban	1,00,000+	50,000— 99,999	20,000-- 49,999	10,000— 19,999	5,000— 9,999	5,000
43.16	76.64	23.64	12.36	6.45	-89.7	-12.19

SOURCE : *Census of India, 1981, Population Tables.*

<sup>6</sup>Ashok Jain, "Evolution of an Urban Growth Policy for India", *Ekistics*, August 1976.

The Fifth Five Year Plan that followed during 1974-1979 took note of this situation of polarisation continuing in urbanisation and general backwardness across regions. Some specific recommendation<sup>7</sup> were made towards attacking this problem through :

- (a) promotion of development of smaller towns and new urban centres;
- (b) overhauling of the organisational and financial set-up of the local authorities for implementation of urban development schemes;
- (c) formulation of an urban land policy, including landuse control; and other relevant measure; and
- (d) enlarging the emerging industrial townships and estates.

It was generally expected that an appropriate follow up through action programmes as above, coupled with the large investments already underway in irrigation, agriculture, networks, and social services delivery systems for rural development would start impacting upon the problem.

#### **INTEGRATED URBAN DEVELOPMENT PROGRAMME (IUDP)**

A central sector scheme called "Scheme for Integrated Urban Development Programme" (IUDP) was initiated by the Government of India during the Fifth Five Year Plan (1974-79) with objectives to provide financial assistance to the State Governments/Union Territories to supplement their efforts for implementing urban development projects. This was the most notable exercise initiated towards achieving among others, a greater viability for smaller and medium towns to enable them grow in tune with the concern spelt out by the government.

But in real sense this could not be achieved because the scheme did not have any strong non-metropolitan bias that was so much needed. While on the one hand, the growing awareness of the problems of metropolitan and large city concentrations and their negative effect on the spatial development was expressed by planners and policy makers, the IUDP included the metropolitan cities under its coverage in explicit terms. The IUDP guidelines issued in December, 1974 suggested inclusion<sup>8</sup> within the scheme, of

- (a) all metropolitan and million plus cities;

<sup>7</sup>Government of India, Planning Commission, *Draft Report of Fifth Five Year Plan (1974-1979)*, 1974, Delhi.

<sup>8</sup>Kalyan Biswas, "Evolution and Implementation of the IUDP Scheme: A Policy Review", *Nagarlok*, Vol. XV, No. 2, April-June, 1983. For a critical evaluation of IUDP this article may be referred.

- (b) all towns with population of 3 lakhs and above;
- (c) all capital towns of the states irrespective of their sizes; and
- (d) other medium and small cities and areas of national importance.

Given such an open hand and since the metropolitan and large cities already possessed greater ability to mobilise resources, better administrative and planning organisations, the IUDP scheme in effect had little to offer to the small and medium towns. By 1978-79, the IUDP scheme covered 31 cities and towns in 11 states with a total central government outlay of Rs. 136 crores. Of these, as many as 17 were big cities including Calcutta, Bombay, Madras, Hyderabad, Ahmedabad, Kanpur, Nagpur, Pune and Bangalore. These nine cities between themselves received 78 per cent of the total outlay.

Even though the national policy on urban development had (at least on paper) its sympathy for decentralisation, the net result achieved through IUDP was continuing investment for development of large cities and leaving out the claim of small and medium towns in the cold. The 1981 census revealed that about 60 per cent of all urban population was concentrated in the cities of more than 1,00,000 population.

Perhaps through realisations of follies inherent in IUDP scheme, and influenced by the international emphasis shifting towards clear and specific planning actions for small and medium towns, the Government of India discontinued the IUDP in its original form by the end of 1978-79 and from 1979-80, a new IUDP exclusively for the Development of Small and Medium Towns was started as another central scheme.

#### INTEGRATED DEVELOPMENT OF SMALL AND MEDIUM TOWNS (IDSMT)

Backed by the strong recommendation of a Task Force which completed its report in 1977 on the problems of the small and medium towns, the Government of India formally declared a national urban policy in the Sixth Plan<sup>9</sup> by initiating a scheme called Integrated Development of Small and Medium Towns (IDSMT). While the Task Force emphasised that the entire range of urban settlements must be considered in a singular framework, it came out with specific recommendations for a greater degree of attention to the existing cities within the population range between 50,000 and 3,00,000 especially in pursuing the objectives of industrial decentralisation.<sup>10</sup>

<sup>9</sup>Originally to cover the period 1978-83, the Sixth Plan was later revised to cover 1980-85.

<sup>10</sup>Government of India, Ministry of Works and Housing, *Report of the Task Force on Planning and Development of Small and Medium Towns and Cities*, Vol. 1, 1977.

The Government of India voiced a similar view and indicated in the plan document that the new urban policy (IDSMT) would aim at slowing down the growth of metropolitan cities and at increasing the rate of growth of small and medium towns. In these towns emphasis would be put on the provision of infrastructural and other essential facilities and these towns would be developed as growth and service centres for their rural hinterlands.<sup>11</sup> In pursuance to this objective, the Government of India in its IDSMT scheme specified a coverage of all such towns having a population up to 1,00,000 as in 1971.

The national government expressed its concern for not just developing the small and medium towns, but also visualised that these settlements should be able to positively influence the process of socio-economic change in the country-side through a system of interactions and interdependence and in a pattern of hierarchy.

The centre of activities from which all the promotion and investment will be directed has obviously to go to the small town in the midst of the clusters of villages to serve the villages. These small towns will have to provide all the inputs—physical, managerial, technical and financial—for stimulating the village economy. These small towns will themselves need to be served by the next larger units in the district. These medium towns in turn will link up with the district headquarter town and so on to the state capital. In short, the flow of inputs must be through a series of concentric circles, coordinated from the state headquarter, and flowing outwards to the smallest towns.<sup>12</sup>

The IDSMT Scheme initiated in 1979-80 with many expectations is already six years old. Again, as was the case with IUDP, even though the stated objectives were appropriate in tackling the problem of urban-economic concentrations, the reports already received unfortunately indicate very poor achievements. Among many factors which have been responsible for this the following important ones can be noted.<sup>13</sup>

1. The selection of towns have, in most cases, been arbitrary and devoid of any understanding of potential advantages;
2. The required expertise in appropriate plan and project formula-

<sup>11</sup>Government of India, Planning Commission, *Draft Sixth Five Year Plan (Revised)*, 1978-83, Delhi.

<sup>12</sup>*Ibid.*

<sup>13</sup>Asok Mukhopadhyay, "Integrated Development of Small and Medium Towns: A Policy Analysis", *Nagarlok*, Vol. XV, No. 2, April-June, 1983. For a critical evaluation of IDSMT, this paper may be referred.

tion is found to be absent with many state government and particularly the town municipalities mainly entrusted with this responsibility; and

3. The state government in many cases have not been found prepared to provide the financial component for which these are responsible.

Besides, the IDSMT scheme appears to be overwhelmingly in favour of development of services and infrastructures in the small and medium towns and building of urban assets. Apparently, even though the plan documents express a belief that development of small and medium towns will impact positively on rural socio-economic problems, the policy of IDSMT appears to be averse to look beyond the boundary of the towns in question, and beyond the component of physical improvement in urban development. It is unfortunate that the guidelines of IDSMT scheme are silent about the most important force in development, *i.e.*, the economic base. The process of urban growth has always been strongly associated with induction and growth of a dynamic economic base. The IDSMT seems inclined to ignore this fact and the policy makers behind the scheme perhaps believe that piecemeal addition of physical infrastructure within a town will lead to a spontaneous induction of economic base and growth of the town.

It is also of concern to note that the 'Guidelines' issued by the centre to states in launching the schemes aimed at urban development are usually coated in vague terms and often suggests the lack of clarity. In a frame where the matching financial support from the centre would be released subject to approval of proposed programmes and projects forwarded by the states, the centre's guidelines must be very explicit and should avoid any such vagueness that can only create confusion for the state level machinery. On the other hand, if the vague recommendations in the 'Guidelines' are justifiable on the premises that contextually relevant action programmes and projects can only be devised by the respective states, then one may even venture to suggest that the corresponding mechanism of approvals and financial sanctions by the centre should avoid any question on viability of programmes and projects proposed.

Leaving this question of a framework for resource transfer for discussions elsewhere, the moot concern that this paper intends to focus upon is that the national programmes to reshape the urban settlement system do not seem to have made any worthwhile impact. Contrary to the stated objectives of redirecting the trend of urban growth from one of polarisation to one of decentralisation and thereby to foster a balanced socio-economic development across national space, the national schemes of IUDP and IDSMT have taken an extremely narrow

view of the imperatives and in that process have only been able to achieve piece-meal and generally unproductive urban assets. This wrongly directed investments very clearly have been a product of a lack of understanding in real terms of the role that the small and medium towns have been playing and should play in the urban regional system.

#### ROLE OF SMALL-MEDIUM TOWNS

##### *The Observations in the Less Developed Country (LDC) Context*

Any policy for Integrated Development of Small and Medium towns to be successful, must begin to evolve through our understanding of their role in the respective local hinterland context. This is so because the IDSMT cannot ignore the fact that towns and cities in their organic process of growth are intricately linked with the surroundings for nourishment and sustenance, and for dissemination of growth impulses. It is only within such a framework which considers a small or medium town in the totality of its inter-relationships with the surroundings, that the objectives can be best realised. While it is easy to emphasise the point that the role of small and medium towns must be correctly understood to be able to arrive at appropriate policies and strategies for restructuring the urban-regional system, in reality it is very difficult to assess them. In view of the world wide (particularly in the LDC's) move launched towards development of small and medium towns, it may be useful to scan through the available literature on this role-definition at a global level.

It has been argued by Johnson<sup>14</sup> that in the industrial societies, historically, the economic development was greatly advanced through a relationship between the urban centres and the country side and through the emergence of a spatial pattern in which conveniently located central places, such as market towns, stimulated the commercialisation of agriculture and facilitated an efficient exchange of goods and services. He emphasised on the need of smaller cities as necessary to integrate the rural with the larger urban economy and to develop a balanced space economy.

Essentially, between the large metropolitan concentrations at one end and the rural settlements on the other which generally characterise the settlement hierarchy, the small and medium size towns are considered as the centres which "Possess a distinct middle function in development policy flows in economic, social, governmental and

<sup>14</sup>E.A.J. Johnson, *The Organisation of Space in Developing Countries*, Harvard, 1970.

generally modernising aspects<sup>15</sup> in terms of making accessible to the rural hinterland the resources, technology and services.

A more specific attempt to define the role of small and medium towns was made in the Sixth Rehovot (Israel) Conference of "Urbanisation and the Developing Countries" held in 1971.<sup>16</sup> The deliberations emphasised a very strong interdependence between the growth of small and medium towns with modernisation and commercialisation of agriculture, and noted that modernisation of agriculture which is among the most important pre-conditions for a decentralised urbanisation. It was argued that modernisation of agriculture at the same time is highly dependent on an infrastructure that must almost certainly be urban in location. A system of small and medium towns with developing rural hinterlands provide the component of national industrial structure that is necessary for agricultural development and these towns also provide the required support system such as material inputs, credit, extension, technology, marketing, etc. These towns serve as locations of agriculture based industries which absorb some of the surplus rural labour force. It was further considered that the small and medium towns are centres of services and facilities which benefit the rural areas in hastening a process of modernisation of living conditions.

A similar argument is presented by Barbara Ward.<sup>17</sup> It is emphasised that a decentralised urban strategy is an instrument of balanced growth. This strategy calls for decentralised growth centres for relocation of industry in regional urban market centres which stimulate the farms and use their products. To achieve this, farms must be built up, cooperative marketing and credit introduced, electrification taken to the country side. The market centres with full urban facilities, cooperative offices, storage and wholesaling units, clinics and intermediate schools, act as the focal points to build up regional intermediate communities in a balanced, human and environmentally satisfactory way.

In a very detailed study on urbanisation in Asian development context, P.B. Desai<sup>18</sup> focuses on the major role that the small and medium towns can play in the context where, it may be assumed that the industrial growth which cannot sacrifice the scope for benefiting from the scale agglomeration and concentration economies, has already

<sup>15</sup>A. Atmodirono and J. Osborn, *Services and Development in Five Indonesian Middle Cities*, Bandung, Institute of Technology, 1974,

<sup>16</sup>Rasnan Weitz (ed.), *Urbanisation and the Developing Countries: Report of the Sixth Rehovot Conference*, Praeger, NY, 1973.

<sup>17</sup>Barbara Ward, "An Urban Planet", *Ekistics*, December, 1973.

<sup>18</sup>P.B. Desai, "The Pace and Pattern of Urbanisation in the Context of Development in Asia": in O.P. Mathur (ed.), *Small Cities and National Development*, op. cit.

been achieved and where, agricultural progress is a must to sustain a massive population for a long time to come.

Desai recognises a multiplicity of roles that the small and medium towns can play in the developing countries of Asia. These are specified as roles :

...to diffuse growth impulses downwards, to channelise information upwards, to reticulate experience gained at the lower levels horizontally and to facilitate the establishment and growth of industries based on regional resources as well as of industries and activities servicing production and consumption needs of the regional population. Equally necessary is to promote their role in the tertiary sector of trade and commerce, banking and finance as well as in the public provision of healthy, education, welfare and extension service.

There is a concensus with regards to the role of small and medium towns in the developing countries.<sup>19</sup> It can be safely argued that although there is not much empirically analysed support behind the role definitions noted here, there is clearly an understanding of the historical realities as occurring during the pre-industrial periods in these countries and more important, an understanding of the contemporary imperatives in the equity-welfare oriented perspectives in planning process for a balanced socio-economic development across the national space. What emerges therefore is that the small and medium towns in the nations of the developing world have important economic and social functions to perform as focal points in a decentralised network of urban-regional communities. These towns do not and cannot grow and develop without well-directed regional resources support and at the same time the development of the regional economy depends greatly on the promotional, supportive and cushioning role that these towns must offer. Therefore, any attempt to use the small and medium towns strategy for decentralised development of a network of urban regional communities must launch such actions so as to make these towns competent and equipped enough in:<sup>20</sup>

(a) reinforcing rural-urban linkage;

<sup>19</sup>Various country-reports on this issue may be referred in O.P. Mathur (ed.), *Small Cities and National Development*, *op. cit*

<sup>20</sup>H.W. Richardson, "Policies for Strengthening Small Cities in Developing Countries" in O.P. Mathur (ed.); *Small Cities and National Development*, *op. cit.*, Richardson's Paper on "City Size and National Spatial Strategies in Developing Countries", *op. cit.*, may be referred for a detailed discussion. See also Dennis A. Rondinelli, "A Comparative Analysis of Demographic, Social and Economic Characteristics of Intermediate Cities in Developing Countries" in O. P. Mathur (ed.), *Small Cities and National Development*, *op. cit.*

- (b) stimulating the productivity of agriculture on both the supply and demand side;
- (c) serving as locations for agro-processing industries;
- (d) providing efficient services and facilities to rural and their own population;
- (e) stimulating off-farm rural employment opportunities; and
- (f) raising in general the income and welfare level of both their resident and hinterland population through all these above.

#### ROLE OF SMALL-MEDIUM TOWNS—THE INDIAN CONTEXT

Since this paper has attempted to focus upon the policies and strategies for development of small and medium towns in India, it is necessary to assess the role that these towns play and should play in the Indian context. Here again, although no specific empirical research findings are available, there is already a good amount of concern expressed.

In this context one may begin by referring to the Task Force Report<sup>21</sup> on Development of Small and Medium Towns which has significantly influenced the scheme for IDSMT. This Task Force was set up in 1974 by the Government of India with an objective of examining the status of the small and medium towns in the country and to identify approaches to develop them.

The Task Force examined 48 cities and towns within a population range of 1,65,174 and 8,958 (actuals in 1971) and concluded that weak economic base, impoverished hinterland, nearness to larger cities, decline of traditional industries and lack of adequate transportation and communication networks are the primary reasons for the inability of these towns to imbibe dynamism in their growth.

With regards to the role that these small and medium towns can play in attaining the objectives of decentralised urbanisation, the Task Force came out with suggestions for appropriate industrial location and licensing policies so as to diversify the industrial base in a manner that both agricultural development can be catered to, and capacity for labour absorption is increased. A need to evolve a whole system of markets was recognised. Small scale and cottage industries require to be revived and strengthened and skill improvement programmes launched. The Report further expressed a strong need for the strategies to endeavour to avail local resources, skills, entrepreneurship and investments in developing small and medium towns.

It is clear enough that the interdependence of the town and its region in following a growth path has been emphasised and the role

<sup>21</sup>Government of India, Ministry of Works and Housing, *op. cit.*, Vol. I, II. 1977.

of small and medium towns has been identified as one to activate the regional economic and social change.

A recent study by Bhalla and Kundu<sup>22</sup> on the role of small and medium towns in India's regional development has examined the pattern of India's urban development and city size distribution with relation to the levels of regional development. The study has emphasised the fact that the small and medium towns do not survive by themselves and their growth depends on that of the regional economy, while that of the larger cities is substantially influenced by factors that are internal to the city itself. The study makes the point that the growth of small cities goes hand in hand with that of the rural hinterland and this supports the thesis that the small cities are generally rooted in the rural economy. This point is based upon related analysis, and the findings indicate that :

- (a) Small and medium towns have thrived in areas of high agricultural growth combined with process of agro-based industrialisation, such as in Punjab, and Andhra Pradesh. Besides in such regions the urbanisation is more evenly distributed.
- (b) Conversely, the pattern of urbanisation has become highly polarised in regions where metropolitan-industrial economy is dominant and agricultural development has been slow and tardy with very few market town emerging. The most critical case in this category is West Bengal.
- (c) Regions with higher proportion of medium towns generally tend to have higher level of productivity per agricultural workers, and co-relates positively with the growth in agricultural output per hectare during the sixties. It is possible to argue that the small and medium towns both influence the development of agriculture in the region and are also positively affected by agricultural development.

It may be appropriate to refer here a specific case-study by Bhooshan and Mishra<sup>23</sup> who attempted to examine the role of small and intermediate towns in the development of Mandy District in Karnataka. The study conducted survey and analysis concerning the growth process and the interaction of Mandy town (population 71,132 in 1971 with 116.3 per cent growth between 1961-71) and the rural hinterland.

<sup>22</sup>C.S. Bhalla and Amitabh Kundu, "Small and Intermediate Towns in India's Regional Development", in O. P. Mathur (ed.), *Small Cities and National Development*, UNCRD, 1982.

<sup>23</sup>B.S. Bhooshan and R. P. Mishra, "Role of Small and Intermediate Towns in the Development of Mandy District" in B. S. Bhooshan (ed.), *Towards Alternative Settlement Strategies*, Heritage, New Delhi, 1980.

The study concludes that rapid commercialisation of agriculture (from paddy to sugarcane) in the District followed the location of few sugar factories in the town that led to a rapid growth. The town now has a very organised role in serving the rural hinterland with supports for agriculture market organisations and various human needs, while the hinterland provides a basic agro-input for processing the town. A strong two-way dependence prevails helping an integrated growth of both the rural and the town economy.

That the small and medium towns have their primary role in promoting economic and social change in their hinterland and themselves can grow only in a region where rural agricultural economy is thriving, has been emphasised by Biplab Dasgupta<sup>24</sup> in a recent paper on West Bengal. Stagnant towns such as Ghatal in Midnapore and Sonamukhi in Bankura are located in areas where agriculture is stagnant; in contrast, Memari in Burdwan has grown rapidly in recent years in response to a growing agriculture in the region. He argues that to reverse the trend of metropolitan polarisation, the small and medium towns must be developed. In doing so the strategy must be to increase their efficiency in better serving their role of promoting an interdependent rural-urban growth.

The strategy therefore must recognise that the small and medium towns serve as the focal point for agricultural activities in their regions and that their development is essentially related to their efficiency as a regional trade and commercial centre as well as a node of small-scale industrial activities that thrive on agro-products on the one hand and larger city markets on the other.

#### THE INTEGRATED DEVELOPMENT OF SMALL-MEDIUM TOWNS— AN APPROPRIATE STRATEGY

If thus the roles of the small and medium towns have been defined both in relation to the developing countries in general and the Indian context in particular through whatever limited empirical works on this issue, the direction proposed and being encouraged by the scheme for IDSMT is baffling indeed. From the nature of the IDSMT practices as is currently going on in the country it is apparent that the concerned expertise believes in the ability of the small and medium towns to grow independent of anything and based simply on the 'gap-bridging' in infrastructure and services deficiencies for the residents. Neither the guidelines nor the projects and programmes actually being thought of and implemented have any bearing upon

<sup>24</sup>Biplab Dasgupta, "Urbanisation and Migration—Some Recent Trends". Paper presented in Seminar on *Urbanisation and Planned Economic Development*, JNU, New Delhi, September, 1982.

utilising the forces of interdependence between the small and medium towns and their hinterlands, and thus to set a direction for 'Integrated Development'.

It is necessary to bring about major changes in the strategies for Integrated Development of Small and Medium Towns. A combination of such factors as : (i) re-inforcing urban-rural linkages, (ii) developing a productive and larger employment oriented economic base of the towns, and (iii) creating adequate industrial and civic infrastructures, and public facilities in the towns together only can be able to provide a frame in which integrated development is achievable. In absence of which, as the strategy being followed now, the small and medium towns cannot improve their capabilities in building up an economic base using locally produced resources. It is now well established that these towns do neither have the necessary scale economy nor a well developed package of infrastructure and service facilities to be able to attract large scale organised manufacturing activities and a diversified tertiary sector. The economic base of these towns must necessarily serve a regional community to begin with and therefore a developing regional economy is the important pre-requisite. This should be the key factor in promoting the growth and development of the small and medium towns.

Simultaneously with building up the economic base, strategies must be devised to build up the infrastructure and service facilities and also strong economic and social institutions that would serve the interest of both the towns and their hinterlands. An objective of maximising economic exchange and interaction along with satisfying the growing social and welfare needs of the regional community, both rural and urban, must be paramount.

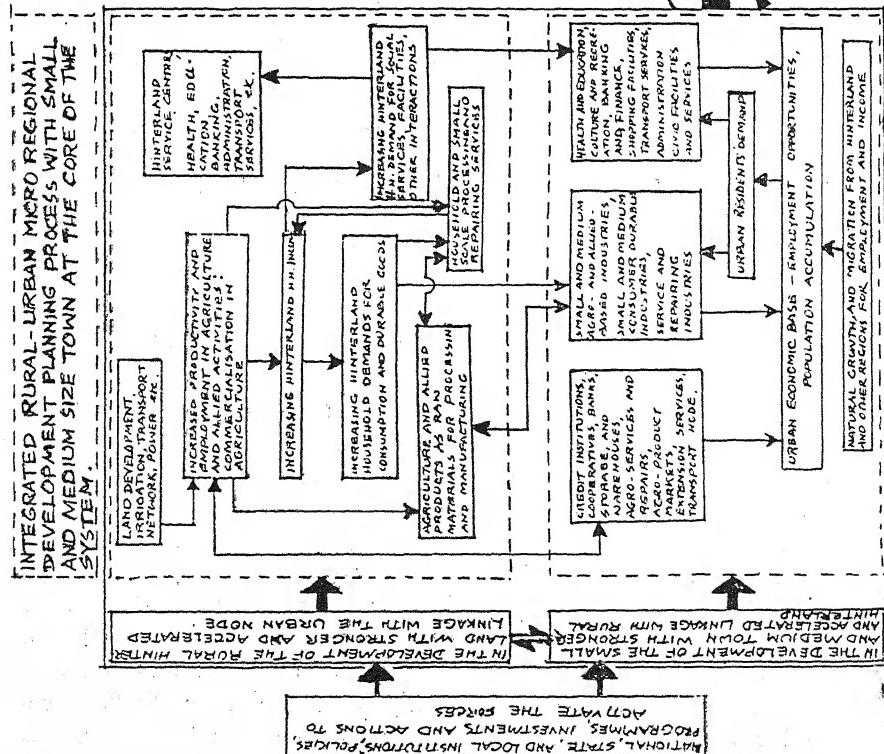
#### *The Process of Integrated Development of Small-Medium Towns—A Conceptual Frame*

In the light of above discussion an attempt is made here through a model to conceptually define what should be the planning process for Integrated Development of Small and Medium Towns (Figure 1,) as presented in the following page.

The model explains how the forces in developing small and medium towns are strongly dependent on the activation of support forces in the development of the economy of the rural hinterland and vice versa. It emphasises that the small and medium towns must provide the initial impetus for economic and social change in the hinterland region and the demands created by a developing hinterland activate the town to establish a cyclic process of concurrent growth and development. A major dimension in the growth forces is added by appropriately highlighting the factor of resident demand of the town itself.

## **EXPLANATIONS**

Fig. 1



- THE MODEL DOES NOT ASSUME A CLEAN-SHADE BUT RECOGNISES SOME LEVEL OF INTERACTION ALREADY OPERATING & THE VITAL MUTUAL GROWTH LINKAGES ARE EMPHASISED BETWEEN THE SMALL-MEDIUM TOWN AND ITS HINTERLAND SUGGESTING 'THEORY' THAT AREAS OF DECISION INTERVENTIONS FOR INTEGRATED DEVELOPMENT.
  - ALTHOUGH THE PROCESS ENVISAGES AN INTEGRATED DEVELOPMENT, THE PROCESS COMPONENTS FOR THE HINTERLAND AND THE TOWN RESPECTIVELY ARE SHOWN IN SEPARATE ENCLOSURES TO DISTINGUISH ACTION DOMAINS.
  - THE CONNECTING LINES SHOWING BOTHWAY FLOW'S INDICATE STRONG INTERDEPENDENCE BETWEEN THE CONNECTED PROCESS COMPONENTS.
  - THE CONNECTING LINES SHOWING ONLY ONE WAY FLOW DO NOT DENY SOME DEGREE OF MUTUAL INTERDEPENDENCE BETWEEN THE CONNECTED PROCESS COMPONENTS.
  - THE PHYSICAL PLANNING AND MANAGEMENT OF EXPANSIONS AND DEVELOPMENT IN THE SMALL-MEDIUM TOWN SHOULD NECESSARILY FOLLOW THIS DETERMINATION OF THE QUANTUM OF NEEDS FOR THIS TOWN-HINTERLAND MICRO-REGION. HOWEVER, A CRITICAL LEVEL OF PHYSICAL, ECONOMIC AND SOCIAL INFRASTRUCTURAL BASE IS ESSENTIAL IN THE TOWN FROM THE

## PHYSICAL DEVELOPMENT AND MANAGEMENT OF THE SMALL AND MEDIUM SIZE TOWNS.

- LAND USE PLANNING AND LOCATION OF ACTIVITIES,
  - WATER, POWER, ROAD, SANITATION SYSTEMS,
  - DEVELOPMENT OF INDUSTRY, SHOPPING, EDUCATION, HEALTH, RECREATION FACILITIES,
  - DEVELOPMENT OF INDUSTRIAL AND BUSINESS INFRASTRUCTURE,
  - DEVELOPMENT OF LOCAL GOVT ADMINISTRATION, FINANCE AND MANAGEMENT FUNCTIONS.

NATURAL GROWTH AND MIGRATION FROM HINTERLAND AND OTHER REGIONS FOR EMPLOYMENT AND INCOME

The model also indicates that the physical development of the small and medium towns is to play a supportive role at the initial stages and that too only when appropriate quantum and characteristics of the economic base to be introduced in them are identified. The provisions of services and infrastructures without any bearing on 'for what, whom, and how much' can never by themselves activate the growth and development of the small and medium towns.

#### *The Decision Needs*

Though a bit simplistic, the model by implication points at a set of four important decision mechanisms which are:

1. *Decisions on appropriate support institutions and infrastructures for town-hinterland linked growth in activities of economic potentials.* These will be of the type that should impact positively on rural economic activities for increasing productivity, employment and income. These institutions and infrastructures should have their apex locations in the town as the regional centre and must necessarily be backed by a good spatial linkage system.
2. *Decisions on relevant, contextually effective policies to influence required changes in agricultural practices, commercialisation in agriculture and allied activities, surplus flow patterns, industrial locations, and production expansions of trade and commerce activities, employment pattern, migration pattern and many other related areas that together will activate the integrated development of small and medium towns.*
3. *Decisions on appropriate institutions and infrastructures that will provide such incentives as necessary to channelise industrialisation matching with the regional resources and demands.* The decision should centre around an objective of maximising both backward and forward linkages within the region with location preference for small and medium industries in the town as the regional centre.
4. *Decisions on policies and programmes in creating and promoting appropriate urban resources, management, economic, social and physical infrastructure.* These policies and programmes should be conducive to accommodate the locations of expanding functions and activities in the town emerging out of the decisions noted above and matching the growing needs of the resident population and the hinterland commuters and circular migrants.

It need not be overemphasised that these decisions do not suggest any stepped or sequential operation, for the simple fact that any town-

hinterland context does already have several linkages of the pattern noted in the model, operating concurrently (Fig. 1).

The important issue therefore is to: (a) choose the right linkages and make them stronger and more efficient, (b) identify new linkages and promote their growth, (c) identify weaknesses in the existing pattern of activity locations and infrastructures in the town, and correct them, and, (d) build up a continuum in physical development and management programmes for properly accommodating new activities and expanding population in the town. It is in the simultaneous and coordinated operation of the four sets of decisions that the objective of Integrated Development of Small and Medium Towns can be effectively utilised as a tool towards controlling large polarisation, achieving an urban settlement system, and minimising regional disparities through activating the growth and development forces in the vast rural areas.

#### CONCLUSION

The scheme for Integrated Development of Small and Medium Towns of the Government of India, as has been argued by critics, has been launched rather in a haste. There is no reason to believe that the policy makers are not aware of the role of small and medium towns as is evident from related government documents referred to earlier. But yet, the actual process adopted for small and medium town development is extremely narrow and practically ineffective in scope in attaining the stated objectives.

What is called for is a substantial widening in the content of the scheme in a frame as suggested in the model presented in this paper. A detailed analytical understanding of the interacting forces across the town-hinterland spatial and behavioural entity is essential to be able to project the integrated growth-path and setting the decision mechanisms in motion. Regional planning and town planning expertise along with the political and administrative wisdom, and within a 'top down-bottom up' frame of decision intervention, must be brought together.

Integrated development of small and medium towns is indeed a challenge and we need to take it up with serious intentions. Because "the vital importance of our new perceptions of the value and possibility of purposive, decentralised, small scale urban development, linked to a flourishing agriculture and the growth of small-scale agro-business, lies in the chance it offers us to preserve community in the new industrialising world, and through community to draw the exploding millions into some form of stable and hopeful urban life".<sup>25</sup> □

<sup>25</sup> Barbara Ward, "An Urban Planet", *Ekistics*, December, 1973.

# *Development of Secondary Cities in India: Issues for Public Policy*

P.S.A. SUNDARAM

THE PLANNED and integrated development of small and medium towns and cities alongwith the slowing down of the growth of big metropolies has emerged as a conscious objective of urbanisation policy over the last two Five Year Plans. A Centrally Sponsored Scheme for the Integrated Development of Small and Medium Towns has been in operation since December 1979. However, public policy has been clouded by a number of perceptions and ad hoc responses.

Although India continues to be predominantly rural, the urban segment has been growing steadily both in absolute as well as relative terms over the first eight decades of this century. The proportion of urban population has increased from 11 per cent in 1901 to 23 per cent in 1981, and the number of urban residents has increased from 26.6 million people in 1901 to 160 million persons in 1981. The number of towns increased from 2581 to 3245 over 1971-81, adopting the Census definition of urban areas. The number of Class I towns with a population exceeding 100,000 went up from 145 to 216 over the same decade, while the number of metropolitan cities increased from 9 to 12. While the decadal growth of urban population as a whole was 3.86 per cent, Class I towns grew by 4.6 per cent and Class II cities by 4.2 per cent. The share of Class I towns in the total urban population went up from 56.2 per cent in 1971 to 60.4 per cent in 1981, while the Class II towns' share was practically stagnant at 11.65 per cent in 1981. The towns having a population less than 50,000 accounted for only about 28 per cent of the total population despite having over 80 per cent of the towns.

The picture needs to be disaggregated further as regards the Class I cities, which are the subject of our interest here. If we take towns according to their classification in 1971 and compute growth rates by comparing the total population of towns in each class with the total population of the same towns in 1971 with the population of 1981, as done by Rakesh Mohan in his study of the morphology of urbanisation

in India, there is no striking pattern of growth according to the disaggregated size classes. The fastest growth was recorded by 33 cities in the 250,000 to 500,000 range of population, but this was only marginally higher than the growth shown by the size group 100,000 to 250,000 and the group 1 to 4 million. The size group 0.5 to 1 million and that with population exceeding 4 million showed a much less rate of around 2.93 per cent. Class II towns on an average recorded a rate of growth of 3.44 per cent marginally less than that recorded by Class I towns over 1971-81, and thus there are no striking differences between the rates of growth of small and large towns and between small cities and the metropolitan cities. However, there is a slight tendency for the larger towns and cities to grow somewhat faster, and this is consistent with the type of stable settlement structure which prevails in India, "whereby increasing proportion of urban population in larger cities is merely a result of progressive accretion to existing settlements of all sizes which are well-spread out spatially" (Rakesh Mohan). Demographically, there seems to be no evidence to suggest that the small and medium towns with a population less than 100,000 are languishing, and in fact, they are growing at double the rate of rural population.

As the Seventh Plan document is quick to recognise, the all-India study of demographic data has to be tempered by a study of trends in urbanisation at the state level in order to get a clearer idea of growth of secondary cities. There are large variations in the degree of urbanisation and city size distribution of population among the states and regions. Out of the six major states, West Bengal and Maharashtra have the highest concentration of urban population (over 70 per cent) in Class I cities. This is followed by Karnataka, Tamil Nadu, Gujarat and Haryana. In Maharashtra, 75 per cent of its urban population lives in Class I cities including three metropolitan cities, and at the other end, 17 per cent of urban population in 101 small and intermediate towns of Class II and III. West Bengal has 76 per cent of its urban population in Class I cities, of which 63 per cent is in Calcutta. There are only 57 small and intermediate towns where about 18.49 per cent of urban population resides. The urban areas are also concentrated in the southern part of the State, with very few towns in other parts, thus representing a spatially imbalanced pattern. Punjab represents a pattern of urbanisation resulting from rapid agricultural development and agro-industrialisation. Only 46.40 per cent of its urban population lives in its 7 Class I cities, while 37 small and intermediate towns account for 34.59 per cent. Barring Maharashtra and West Bengal, a significant proportion of urban population lives in small and intermediate towns in different states, with over one-third of the population residing in these towns in Kerala (41.38 per cent), Andhra Pradesh (37.12), Punjab (34.59) and Bihar (33.64).

If we disaggregate the states in terms of the relative affluence of different states, it is found that the disparities in levels of urbanisation have been declining over successive Census periods. While the richer states continue to be more urbanised than the poorer states, the latter like Andhra Pradesh, Bihar, Orissa, Madhya Pradesh and Uttar Pradesh have experienced much faster rates of growth. At the sub-regional level, the rapid growth of urban population is on account of two contrasting trends: First, heavy public investment in industry and mining as in the case of Southern Bihar, the Eastern Madhya Pradesh, and agricultural development as in Western UP; and secondly it is due to the decline in the growth of rural population in parts of Madhya Pradesh, UP and Orissa, a kind of accelerated urbanisation resulting from a push from rural areas. The rural-urban growth differential is also the greatest for the poorer states of Orissa and UP. The increase over the decade 1961-71 for this differential is quite marked for most states and has declined in the case of Tamil Nadu. Finally, it is necessary to restate that the level of urbanisation is directly co-related with the level of industrial and economic development. Gujarat, Maharashtra and Tamil Nadu are all urbanised to the extent of over 30 per cent, though the rate of growth is constant or slightly declined after 1971. At the other end of the scale are states with low-levels of urbanisation like Orissa (11.8 per cent), Bihar (12.5 per cent), UP (18.0 per cent), and M.P. (20.3 per cent). However, the levels of urbanisation across different states has declined during 1971-81.

This somewhat detailed narration of the pattern of urbanisation shows the risk of devising policy responses on the basis of over-generalised impressions of urbanisation and without taking into account the tremendous variations in the pattern and content of urbanisation among different states and regions. The Draft Five Year Plan 1978-83 expressed concern about a few large cities having become larger and the small towns recording a slow pace of development, and stated that urbanisation has remained highly concentrated and that the process of urban diversification necessary for developing vital links between rural economies and for providing the much needed services to rural areas has hardly been initiated. According to the 1978-83 Plan document, the thrust of urbanisation policy during the next decade must be to slow down, and if possible reverse, the rate of growth of the metropolitan cities, and increase the rate of growth of the small and medium towns. It was proposed to do this by giving greater emphasis to the small and medium towns and equipping them to act as growth centres for the rural hinterland, as well as marketing supply, administrative and service centres. The Sixth Plan states:

The Centre of activities from which all the promotion and investment

will be directed has obviously to go to the small towns in the midst of cluster of villages. From these, small towns will have to be provided all the inputs—physical, managerial, technical and financial—for stimulating the village economy. These small towns will themselves have to be served by the next largest unit in the district. These medium towns, in turn, link up with the district headquarters towns and so on the State Capital.

Simultaneously, policies were to be initiated for the gradual deconcentration and relocation of industries outside the metropolitan region, by a series of incentives and disincentives.

The Plan document for the period 1980-85 affirmed that the thrust of urbanisation policy during the next decade would be to give greater emphasis to the provision of adequate infrastructural and other facilities in the small, medium and intermediate towns which have been neglected hitherto. For this purpose, the Plan proposed increased investment in these towns in housing, water-supply and communication facilities, education, medicare and recreation. Positive inducements were proposed to be given for setting up new industries and other commercial establishments, taking advantage of the special condition in each place. Apart from appropriate concessions in respect of capital expenditure on various facilities, tax incentives were to be considered for the location of employment generating activities in these towns. The Seventh Plan stressed the interaction between physical and investment planning and the need to prepare regional and sub-regional urban development plans to the former possible. A concerted effort was to be made to channel investment of private and public sectors away from the larger cities towards the smaller towns. The allocation of towns in each planning zone was to be on the basis of their functional role, industrial and employment potential, rather than their size.

The basic premises for the development of small and medium towns were thus the reduction of the rate of migration to the large cities and support to the development of the rural hinterland and it was hoped that industrial and commercial location policies and the infrastructural investments would somehow be dovetailed into this strategy. As urban development is in the state sector, the Central Government can only play a guiding and catalytic role, leaving the actual implementation to the state agencies. To study the problems of small and medium towns and to suggest appropriate policies for their development in the national and regional context, the Prime Minister had set up in October 1975, a Task Force under the Chairmanship of Prof. Bijit Ghosh. It suggested a multipronged approach and stressed the need to supplement the national population policy by a national population distribution policy. It suggested the need to link resource mobilisation

to spatial planning, and the integrated sectoral development with the system of human settlements, as well as the orientation of industrial location and licensing policy towards the end of balanced regional development of urban areas. It proposed guidelines for the formulation of suitable land policies. It was in the light of this report that the Government of India decided in 1979 to introduce a centrally sponsored scheme for the Integrated Development of Small and Medium Towns (IDSMT).

The guidelines of IDSMT are well-known. It covered towns with a population up to one lakh during the Sixth Plan and up to three lakhs during the Seventh Plan. It was envisaged that 231 towns in different states would be developed during the Sixth Plan period with a project investment of Rs. one crore per town on an average on the components identified for central funding. The items eligible for assistance in the Central sector on matching basis up to 50 per cent or Rs. 40 lakh, whichever is higher, included land acquisition and development, traffic and transportation, and economic components like mandis and markets, industrial estates, etc. The state government were expected to prepare a capital budget for urban development programmes in each town, duly linked to the urban development plan for the whole state and pool together all the sectoral funds for urban development. Thus, while preparing the IDSMT plan, the state plan was expected to provide funds for slum improvement, urban renewal, small-scale employment, sewerage, sanitation, medical facilities, schools and recreation. In view of its importance, schemes for low-cost sanitation were specifically made eligible for central funding. The scheme was designed as an integrated programme in two senses. It was expected to take a total view of the activities taking place in the town and provide a citywide focus for the local agencies, and further relate the projects in the town to the rural hinterland and the district development programme.

A review of the IDSMT programmes revealed a number of difficulties and inadequacies :

- (a) Wrong selection of towns without taking into account the criteria of importance in the regional context, growth rate and potential, magnitude and type of investment in industrial and agro-economic activities projected, etc. The scheme did not identify the dominant functions of the towns and was not tailored to the individual needs of the town, and the assistance also did not frontally deal with the town's economic function; priority should have been given to strengthening of mandi and service towns in agriculturally rich areas, industrial growth centres of the type identified in Maharashtra, and strengthening

of employment functions of towns which are the targets of migration in depressed rural economies as in parts of UP and Bihar. This will tie up with the earlier regional analysis made by us;

- (b) The identification of schemes was not preceded by an analysis of the role of the town and the project was prepared without fully involving the local agencies; many elements of economic and social overheads were not included, and the reports followed a stereotyped pattern of the nature of a shopping list without consulting the requirements of the state functional agencies for economic and social development; the components of state plan are not often reflected in the report; the contents of the report and the location of schemes had to be changed in many cases due to faulty formulation;
- (c) Organisational problems in the formulation and speedy implementation of the projects arising from partly the overlapping responsibility for town planning and urban development at the state and local level;
- (d) Failure to identify agencies at the state and local level for actual execution, coordination and monitoring; failure to make adequate budget provision in the state and local budget for Central assistance and the matching provision, and for maintenance;
- (e) Delay in land acquisition and sanction of estimates and tenders, shortage of materials, cost escalation, change of project site and field problems; and
- (f) Weak organisational and financial capacity at the local level to implement the projects; not enough attention was given to the appointment of competent staff nor upgrading the capability of existing personnel.

We have reviewed the pattern of urbanisation, the inter-state variations, and the implications for regional development as well as the development of secondary cities, and the policy response of the government to these cities and towns. The effort is still largely structured towards the provision of infrastructure, though some effort is being made to tie it up with the urban basic services. Some of the strategical implications of the 1981 census results have not been followed up. These include :

- (a) One of the recurrent suggestions is that steps should be taken to encourage growth in towns surrounding the big cities, viz., what is known as the development of countermagnets. In Delhi, a National Capital Region has been identified. It is suggested

that the higher public investments in the countermagnets would help them to attract migrants who would go otherwise to the metropolitan city. A study of the Census data shows the hinterland of the metrocities has been growing at around 5 per cent per year for Bombay, Delhi and Hyderabad, and the proportion of population in the hinterland is in the range of 15 to 40 per cent. To reduce the rate of growth of Delhi to about 3.6 per cent in the next decade, the rate of growth of the ring towns has to be of the order of an astronomical 8.5 per cent per year so as to absorb the migrants. This is only to say that the case for higher investments in the ring town has to rest on premises other than a major diversion of migrants or decongestion of the metacity.

- (b) As shown by the disaggregated analysis of the urbanisation pattern, urban growth in different regions is prompted by the pull as well as the push factor, and the nature of public investment to cope with the growth has to be correspondingly different. Serious attention will have to be given to the creation of employment opportunities in the urban areas for the growing number of people, who are being moved out of the rural areas on account of technological change or because of increase in rural poverty.
- (c) Employment location policy should be coordinated with the policy for the provision of infrastructure in terms of location. It is difficult to agree with the Planning Commission's statement in the Seventh Plan Document that the industrial location policy must be made to subserve regional and urban planning and that private and public investment should be diverted to small and medium towns, as this is not in conformity with past experience of decentralisation policies in India. Location of industries should be determined more by the characteristics and needs of the industry than the size of the city. Industrial dispersal has been an explicit aim of government since the Industrial Policy Resolution of 1956. Various incentives are given to entrepreneurs for the location of industrial units in backward areas. District Industries Centres have been set up to encourage the growth of small and cottage industries. Industrial estates or areas have been developed by State agencies on the outlying areas of various cities for providing basic infrastructure and sheds to new units. Though some dispersal has taken place as a result of these policies, it has not been as extensive as was hoped. It was not appreciated that industries require a certain amount of concentration for their efficient and successful functioning. At present dispersal policy is not selec-

tive in that as many as 247 are classified as backward districts and equal incentives are available in all the areas. As the National Committee on Backward Areas has noted in 1980, industry has naturally taken advantage of the incentives in the least backward of the designated districts and particularly those in the vicinity of the metropolitan areas. There is not much evidence of industry shifting from larger to smaller cities. On the other hand, employment in household industry tends to be more concentrated in small and medium towns. It is even possible to argue that the level of the city bases pushes up the male participation rate and the secondary activities in the region.

- (d) In the light of the above, it is clear that urbanisation and other spatial policies cannot be viewed in isolation from other economic and social policies. It is probable that explicit spatial policies such as restrictions on industrial location, incentives for industry to locate in backward areas, promotion of infrastructure investments in particular towns may have been less important in deciding the pattern of urban growth than the effects of unintended economic policies, such as trade system, export-oriented strategy, industrial licensing system, fiscal measures, major investments of Central and State Governments, as well as the private sector, etc. It is generally more difficult to disperse services like banking, business, specialised health and education services than industry. The National Committee on Backward Areas also points out the importance of social infrastructure in the locational decisions of firms. Thus, for dispersal to be successful, the availability of fiscal incentives has to be accompanied by the provision of not only physical infrastructure, but the easy availability of power, transport, communications, telex facilities, etc., and this has been confirmed through feedback from the entrepreneurs also. The availability of good schools, medical facilities, etc., are also imperative for the firms to attract highly skilled labour and managers to the new locations. Another point worth noting in the context of classical perceptions of dispersal is that, in respect of cities located at considerable distance from the metropolitan areas, most of the growth in employment comes not from businesses moving out of the metropolitan area, but from local firms that are just starting up or are expanding their operations. The findings of the World Bank in many Third World countries suggest that a policy stressing long-distance relocation may be far less effective in promoting decentralised growth than one aimed at improving conditions for local economic development.

Given the economywide resource constraint, it is certainly not feasible to provide all the facilities that industries require in order to locate themselves in a particular town. This calls for two courses of action. Firstly, the existing infrastructure in Class I and II towns should be better utilised by upgrading the capability of the municipal personnel and ensuring the flow of adequate resources for maintenance as well as essential augmentation. Selection should be made from among these cities for additional investment, after considering their industrial potential, regional characteristics, and availability of facilities. In the more backward areas, a more judicious selection of a small number of centres should be made in order to provide the required number of facilities. The National Committee on Backward Areas had identified 100 centres which ought to be considered as growth centre, each of whom has to have a population over 50,000, but less than 10,000 industrial workers and situated not too far from the existing major centres. This selection can be narrowed down by a region-based need and function exercise. The urban development programmes like the IDSMT should be tied together with this kind of rational industrial dispersal policy in the framework of a regional and sub-regional development plan to coordinate different kinds of investments. At the same time, non-industrial employment should also be regarded as productive and used for the development of Backward Areas. For example, the regions with a high level of intermediate towns have a high level of productivity per worker and per acre. It is, therefore, necessary to accelerate the process of sectoral diversification at the lower level of urban hierarchy, based on both the modernisation and diversification of agricultural and a simultaneous commencement of a process of industrialisation linked to agricultural development.

It is important to remember that, while modifying macro-economic and sectoral policies may help stimulate the process of decentralised growth, such an approach does not provide the solutions to the problems of the largest cities. There are important economic advantages to concentrated economic growth in the large cities, and concentration should not be regarded as undesirable in itself. As the Working Group on Urban Development appointed by the Planning Commission in 1978 observed, indiscriminate policies should not be allowed to undermine the contribution of metropolitan areas and large cities to national economic growth. It will be naive to believe that immigration can be stopped, given the attraction of jobs and incomes, and disastrous if meanwhile, we did nothing to ensure that the city-dwellers including the immigrants, will live at tolerable standards in the cities. However, careful national planning should avoid policies which accelerate concentration in the big city and tax the industrial units for their agglomeration diseconomies.

Finally, it is important to note that the most carefully prepared urban development programmes have been set at nought by institutional incapability and management deficiency and lack of financial support. The Task Force on the Management of Urban Development, set up by the Planning Commission, has made several excellent recommendations which need to be followed up by the Central and State Governments. The quality of city management and access to public services are important in enabling a secondary centre to take advantage of new opportunities for economic growth. "A move towards greater local autonomy and responsibility for planning infrastructure investments, and for generating the resources to finance them, gives cities greater flexibility to respond to new opportunities for growth." (*Urban Edge*, August 1986). Coordination of the policies and expenditure of different ministries and agencies at the state and national level and of the institutions at the local level in the framework of the regional and sub-regional plan will buttress the growth strategy for secondary towns. □

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# *Strategy for Development of Secondary Cities*

M.A. MUTTALIB

## **URBAN CONSTELLATIONS**

WITH THE increasing mutual dependence of rural and urban human settlements in the socio-economic and politico-administrative spheres of life,<sup>1</sup> India may be viewed at as a country with over three thousand groups of constellations, of city/town regions. Each city/town constellation constitutes a nervous system for its hinterland.<sup>2</sup> The metropolitan and large cities apart, the medium and small scale cities and towns hereafter called secondary cities, have emerged besides being manufacturing centres, as service and growth centres in relation to their hinterland. In either case, they are in the midst of progress. Their relationship with rural settlements, is in the nature of give-and-give in the socio-economic, political and administrative matters just as it is in their relation to bigger urban/metropolitan settlements and the nation, as a whole. While these relationships are continuously in operation in some form or other, their patterns need to be identified and articulated so that, they could be exploited fully for higher and smoother pace of development.

It is in this context that the existing Government's urban policy specially the scheme of Integrated Development of Medium and Small Size Cities and Towns envisaged under the Sixth Five Year Plan and continued under the Seventh Plan, may be analysed with a view to identify and reinforce their existing role in nation-building activities in relation to various spheres of areal development including:

- (i) urban/metropolitan development;
- (ii) rural development;

<sup>1</sup>*Report of the Rural-Urban Relationship Committee*, Government of India, Ministry of Health & Family Planning, Vol. I, June, 1966, para 1.02.

<sup>2</sup>c.f. M. A. Muttalib and N. Umapathy, *Urban Government and Administration*, Regional Centre for Urban and Environmental Studies, Osmania University, Hyderabad, 1981, p. i.

- (iii) regional development; and
- (iv) national development.

The main theme of this essay is that the urban settlements and particularly the secondary cities as such, have in their own right, as the Planning Commission also admitted,<sup>3</sup> an important place in the nation-building activities of the country, whether in relation to the national development, regional development or rural development, apart from urban development.

An urban settlement is the kingpin in all forms of development right from the stage when they are conceived till they are grounded. In fact, all development activities are urban based. In an urban area there is higher concentration of human talents that could be tapped for the delivery of social, political, administrative and technological services. Whatever be the focus of development, urban settlement provides itself as locus.

#### THE RURAL-URBAN CONTINUUM

Urbanisation is generally positively associated with higher productivity and industrialisation. Commerce, trade and industry flourish with access to larger markets for their products as well as for labour and other inputs. Residents of the city enjoy in terms of access to better social services and the value of the more organised participation in the political process that comes with increased urbanisation.<sup>4</sup>

Every human settlement whether rural or urban, is a social unit and as such, it has relationship on the social plane with other settlements. More than in any other sphere, in India socially they are intertwined and they draw upon each other in discharging social obligations of their individual members and the groups of individuals whether in organised form or otherwise. The cultural bonds like those of religion, language, kinship, family, etc., are very strong cementing forces. No amount of distance causes any barrier.

Every rural or urban settlement is also an economic unit and as such, with the economic factors as the binding forces among them. Production of raw material, their distribution, their consumption, their transportation and their marketing are all the integral part of the economic life in which members of both rural and urban communities are involved in various combinations as producers, distributors, consu-

<sup>3</sup>Sixth Five Year Plan, 1980-85, Government of India, Planning Commission, para 23.1.

<sup>4</sup>K. R. Hope, *Urbanization and Economic Development in the Third World Cities*, Vol. 3, No. 1, Butterworths, Bury Street, Guildford, UK, 1986, p. 45, quoted from Carmen, A. Mito and Joseph E. Potter, *Population Policy: Research Priorities in the Developing World*, 1980.

mers, transporters, sellers and buyers. All these speak of the economic life as an exercise in cooperation between rural and urban settlements.

Then, every rural and urban settlement is a political unit. Although democratic decentralisation has made them function as autonomous political institutions with legal status, they continue to be answerable for discharging the constitutional obligations of the state government whose functionaries mostly operate from urban settlements. Excepting the village panchayats, the other political institutions and the administrative agencies, rural and urban, are urban based. Thus the rural and urban settlements have common politico-administrative bonds that keep the settlements tied up.

#### PLAN GAP IN URBAN DEVELOPMENT

Urban India occupies a unique position in the political universe of the nation. It was more than a century back that in the cities and towns the demand for the establishment of self-governing institutions, was conceded by the British Government. Thus they were the forerunners of democracy in the country and thereby served as training ground for democratic leadership that steered successfully the freedom-fighting movement and subsequently, performed the role of the architects of Free and Republican India and its Constitution.

However, since the commencement of the Five Year Plans, there has developed a rural-urban dichotomy with the treatment of urban bodies as isolated islands away from the stream of development. In fact, they did not find a place in the planning map of country until the Fourth Five Year Plan, except on ad hoc basis. The metropolitan cities and subsequently the major cities/capital cities could receive Plan assistance to meet their emergent problems. But the small and medium cities and towns remained outside the Plan orbit until the Sixth Five Year Plan. In fact, they were faced with plan gap for about three decades until it was realised that they reached the stage when they were unable to contribute to the development of their rural hinterland or to be of much service to metropolitan cities. For the first time the Sixth Plan envisaged a regular scheme, Integrated Development of Small and Medium Towns (IDSMT) for them. However, it is designed more to promote rural development and rectify erratic dispersal of population, resulting in the big cities becoming bigger and the small smaller.

#### IDSMT SCHEME

The Planning Commission visualised two-fold role for the secondary cities through the scheme of IDSMT: (i) urban development as

complementary to rural development by strengthening the links between towns and cities and their hinterland;<sup>5</sup> and (ii) continuation of distribution of urban population through positive inducements for setting up new industries and other commercial and professional establishments in small, medium and intermediary cities including appropriate concessions for capital expenditures on housing, schools, entertainment facilities, power, water supply, sanitation and drainage along with improvement of power, telephone and telex connections.<sup>6</sup>

In a total of 3245 towns, 236 towns were covered until 1985. In the selection of towns preference was given to district headquarters, sub-divisional towns, mandi towns and growth centres. It is, however, desirable that during the next two Plan periods the scheme is extended to all the towns, irrespective of the limit of population, if other Plan priorities are any constraint in this respect.

There are two broad components that are funded in the scheme. The Central components have a bearing on capital investment while the state components are largely concerned with civic amenities. However, both have infrastructural orientation to promote rural and regional development. There is hardly any component that may contribute to urban development as such to reinforce the towns as manufacturing centres and thereby, the urban economy itself.

The financial assistance is in the form of loan to be shared equally by the Central and State Governments. The loan carries an interest rate of 7.5 per cent per annum to be repaid in 25 years with a moratorium of 5 years. For two reasons the loaning scheme should be replaced by the scheme of revolving fund: first, the municipalities suffer from financial inadequacies and hence they cannot meet development cost. Secondly, they should be helped to keep up the momentum of development.

#### URBANISATION POLICY

The main thrust of urbanisation policy during the next decade according to the planning Commission,<sup>7</sup> would be to strengthen the secondary cities in their roles as growth and service centres for the rural hinterland. For this purpose, almost alround development of urban settlements including facilities for education, medical care and recreation must be augmented. Finally, a nodal role is visualised for the civic bodies in the development process entailing their strengthening, organisationally and financially.<sup>8</sup> But no concrete measures are contemplated in these directions. It is desirable that national consensus

<sup>5</sup>*Sixth Plan, op. cit.*

<sup>6</sup>*Ibid., para. 23.32.*

<sup>7</sup>*Ibid., para. 23.31.*

<sup>8</sup>*Ibid., para. 23.32.*

is evolved in this respect.

A number of committees and commissions at the national and State levels have undertaken exercises to accord appropriate plan to the local bodies in the political fabric of the country. But no favourable and sincere interest is evinced by the State Governments. If they are to play their legitimate role in nationbuilding activities commensurate with the twin national objectives of democracy and development, constitutional safeguards should be invoked so that they could have continued existence with periodic elections and could participate in development as partners with the other levels of government. Suitable changes in the pattern of the city government on lines of Mayor-in-council should also be incorporated.

Then, the local bodies operating from urban areas have problems of special character in relation to the nation, region in which they are located, various sizes of urban settlements and the rural hinterland.

Generally, urbanisation is accepted as the process of growth in the urban proportion and rather than in the urban population *per se*.<sup>9</sup> But the Indian experience subscribes more to the latter. In fact, in the former respect, it is less significant than in the latter one. While the urban proportion was about one-fourth of the population in 1981, in absolute terms, it was large by any standard.

Thus, there are serious national challenges faced in cities : urban poverty, urban crimes, unemployment and underemployment of the educated, in equality, all bifurcating the urban settlement into two camps.

There are two major factors that contribute to rise in urban population in India as in other developing countries: natural increase of the urban population and rural-urban migration, with the former by about 55 per cent.<sup>10</sup> This may be attributed to the increasing gap between fertility and mortality. The rural-urban migration also contributes to the phenomenon largely because the migrants who are largely young adults, are in the peak productive age groups whose fertility is higher than that of the urban population, as a whole. The rural migration is largely in search of employment and education rather than for higher incomes. This is mostly true of the landless labour. The search for higher incomes may be true of marginal farmers from rural areas and of educated under-employed in respect of urban-to-urban migration. In a way, the rural-urban migration tends to keep urban wages at levels below those that would prevail in the absence of migration.<sup>11</sup>

<sup>9</sup>c.f. K. R. Hope, *Urbanization and Economic Development in the Third World Cities*, Vol. 3, No. 1, Butterworths, Bury Street, Guildford, UK, 1986.

<sup>10</sup>Ibid., p. 44.

<sup>11</sup>Ibid., p. 45. F. Liner Johannes, *Cities in the Developing World. Policies for their Equitable and Efficient Growth*, Oxford University Press, New York, 1983, p. 44 as quoted.

## NEW STRATEGY OF URBAN DEVELOPMENT

The negative effects of urbanization like concentration of economic activity and population specially in the super cities along with widespread unemployment and under-employment in addition to the problems of shortage of housing, inadequacy of urban services, traffic congestion and environmental pollution, are becoming more pronounced in India. But the secondary cities do not seem to have suffered much on these counts. It is for these reasons that urbanization on 'horizontal' lines (rather than vertical ones) be encouraged. In the first place, the cost that the process of urbanisation has caused to national economy, can be contained if the secondary cities as against the super cities, are vitalised in the urbanisation process. Provision of desired services to the residents consequent to uncontrolled and unplanned urban growth in the super cities, is extremely difficult and expensive. The difference between the cost of metropolitan and urban development relates to infrastructure. Metropolitan housing, for example, is much more expensive than urban housing. Further, provision of services in secondary cities for rural development are more economical than in distant metropolitan cities or in sparsely populated rural settlements. This has to be so. For if the former suffers from the extreme form of centralisation, the latter from that of decentralisation. But in any case, both are expensive.

The rapid rise of super cities in India has outpaced their ability to provide adequate services. Calcutta and Bombay offer best examples. There is evidence that air pollution, noise levels, congestion, crime and health problems tend to increase more than proportionately with the size of urban centres.<sup>12</sup>

If the secondary cities are to play a positive role in relation to the super cities and to further promote rural development, some more positive urban policy decisions need to be taken. First, the present rural-urban dichotomy should be replaced by a balanced rural-urban development. Today, urban development *per se* does not have appropriate place in the planning map of the country. It is to supplement rural development only. Urban development in its own right with about 50 per cent contribution to national income, has to be appreciated.

Secondly, the capacity of urban bodies to perform their legitimate role in nation-building activities should be reinforced. The Planning Commission has rightly identified the organisational and financial handicaps of urban bodies. They need to receive attention on a

<sup>12</sup>M. P. Todero, *City Bias and Rural Neglect: the Dilemma of Urban Development*, Population Council, New York, 1981, p. 27 as quoted by K. R. Hope, *op. cit.*, p. 47.

priority basis. Today they are the victims of State level politics to keep them effeminate. It is desirable that the city government is recognised as a full government in its region, with the totality of functions required to contribute its mite to rural, regional and urban development. This may entail an exercise in reallocation of functions among various levels of governments, with adequate powers and finances delegated to the city government. As service centres/growth centres/market places they should have adequate resources in terms of men, money and material to be of effective service to rural areas in the hinterland for agricultural and rural development. In this respect the reinforcement of the infrastructure facilities like roads, housing, water supply, drainage and other civic amenities should be taken up in an integrated way.

Thirdly, the present excessive concentration of economic activities within certain urban regions must be prevented and corrected. This can be ensured through balanced urbanisation process.

From this policy will flow several advantages. There will be equitable urban growth and development. It will prevent regional imbalance. Also, it will reduce large disparities in *per capita* output among regions. Further, it will help balance urban-metropolitan and urban-rural wage differential. Moreover, rural to urban and urban to urban migration for better incomes can be checked. In addition, health, education, transportation and housing problems will not become acute specially when they call for expensive solutions of the urban growth of super cities is not contained. Finally, the hardship caused to vulnerable groups like the urban poor, pregnant mothers, infants and children, in respect of the urban services, can be reduced.

#### HINTERLAND PLANNING COUNCILS

The rural and urban settlements of various sizes and their socio-economic relationship should be identified and they should be reinforced. It is also necessary that they are politically integrated for coordinated efforts in the promotion of mutual interest. Today under the rural-urban dichotomy, the rural and urban governments are separately organised without any organic connection. In the same way, the governments for the various sizes of urban settlements are organised differently without organic relation with each other particularly those located in the same region aiming at progressive reduction in the incidence of poverty, unemployment and regional inequalities.

The urban economy as such, should also be treated both as a separate entity. Then, it should be dovetailed with rural economy for evolving regional plan to be formulated by a regional body with representation from urban and rural local bodies, with the State

Government as friend, philosopher and guide. This must be preceded by the preparation of the structure of the local expectations from urban and metropolitan bodies. Each of them should approach the primary local problems of poverty, unemployment and inequality for alleviation by : (a) identification and measurement; (b) developing realistic targets; and (c) formulation of specific programmes to match the targets. The officials from all levels of the government locally available, should help the local bodies in this exercise.

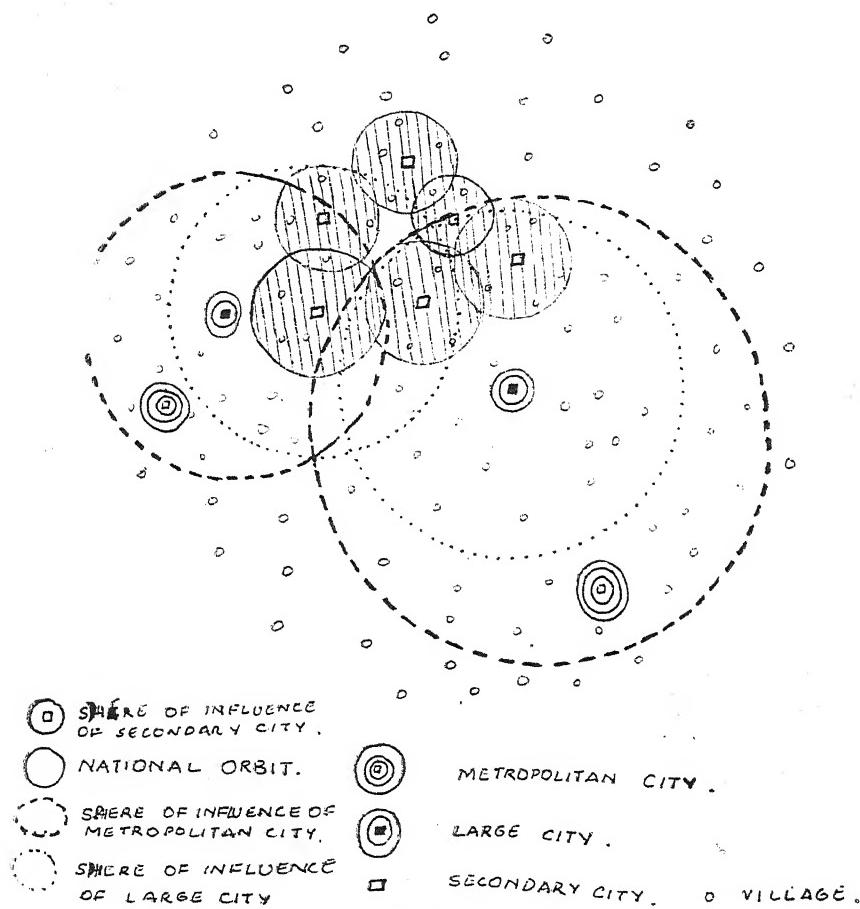
The most obvious lacuna of the IDSMT scheme is that it is just a jumble of few disjointed projects selected without consulting the people's representatives who can help determine local priorities in a more realistic way. It is a patchy plan oriented towards national and State priorities and not local ones without providing adequate linkage among rural-urban and urban and metropolitan settlements in terms of their interdependent needs. The scheme has had an abrupt start and will have abrupt end. For the continuation of the momentum of development is not ensured.

The present pattern of rural or urban plan does not take the local priorities as the basis of regional, state and national plan. Each settlement and its needs should constitute the primary base for the Plan. This may be achieved if the local government, both rural and urban, plays a nodal role with a converging focus for sectoral as well as areal plan. Today the town, the city and the metropolitan city do not have organic link with the rural local bodies and the State Government agencies for a coordinated effort for development. Nor any effort is contemplated although the Sixth Plan was very emphatic on this count. Hence, the town, the city and the metropolitan city regions should have hinterland Planning Councils for the purpose. (See the diagram on Urban Constellations and their Spheres of Influence).

The Hinterland Planning Council will be a high powered planning agency for the region with the Town and Country Planning chief in the region as the Secretary. The political chief of the city/town as the chairman and the chairman of the other rural and urban bodies as members. The State officials and those of State and regional development authorities from the region as coopted members. The Council will determine the priorities of development in the region for the guidance of the State, regional and local agencies. □

**URBAN CONSTELLATIONS AND THEIR SPHERES OF INFLUENCE**

1. Metropolitan Hinterland Planning Council
2. City Hinterland Planning Council
3. Town Hinterland Planning Council



**FIGURE**

## *From IDSMT to UBS: Issues in Policy Formulation and Implementation*

R. K. WISHWAKARMA

**I**N THE planning of human settlements, the policy of integrated development is a major source of demand for both the rural and urban sectors of the economy. Since there are complementarities between rural and urban development projects, integrated development of small and medium towns becomes a major source of demand for domestic rural output and rural development, similarly, becomes an important source of domestic demand for urban output. Both are having functionally dependent linkages, potentially positive linkages and negative linkages. The potentially positive linkages represent opportunities to optimise the net benefits of a project. For example, if the labour skills developed as a result of a housing project can hold construction in other sectors, it is presumed that the programme implementation has potentially positive linkages. But during the course of programme implementation, a commitment of resources to one project withholds resources from others, except where the opportunity cost of resource allocation is zero. This is an example of potentially negative linkages.

These linkages between the rural and urban sectors of the economy and among the projects may be direct or indirect. Say for example, upgrading of services may directly improve the effectiveness of a project in environmental sanitation and thus the quality of life. The shelter project may indirectly increase the effectiveness of improvements in urban management. Specialised urban services and improved food processing technology are likely to increase agricultural productivity, while complementary urban and rural projects may benefit a number of groups in addition to urban poor. They may reduce fluctuations in seasonal employment, unemployment, and under-employment, on the one hand, and improve urban revenue base from the disposal of solid wastes, waste water and organic manures including compost, on the other.

It has been generally observed that the national development policies based on area-specific needs run the risk of narrowing the distribution

of income and wealth at the expense of widening the distribution among persons as area-specific development is space-bound phenomenon. Since economic activities are location-bound, space assumes an important role in the location of economic activities *vis-a-vis* the prosperity of the area. Welfare is spatially dependent variable and depends upon people's access to income earning opportunities and services. Therefore, spatial planning, sectoral planning and macro-economic policies are interdependent and complementary to each other. The national urban development strategy may be treated as one element in a country's general development strategies, whether it is the strategy of integrated development of small and medium towns (IDSMT) or urban basic services (UBS) approach to urban development.

#### OBJECTIVES OF IDSMT STRATEGY

Envisaging the basic tenets of decentralised urban development, the IDSMT strategy aimed at : (i) reducing or at least mitigating the rate of migration to metropolitan cities, and (ii) development of rural hinterland through bettering services and infrastructural facilities in small and medium towns and by the development of 'mandi' towns amidst rural areas with the presumption of both 'forward' and 'backward' linkages between rural areas and small towns, without suggesting any mechanism for forging linkages between the two.<sup>1</sup> The strategy followed area-specific development by increasing 'social overhead capital' and by 'unbalancing' the economy following the 'privileged strategy' of selecting the priority sector to help achieve economic growth.

#### SELECTION OF THE TOWN AND POPULATION COVERAGE

Under the programme, the towns were selected carefully with reference to the rate of growth of population, the growth of the district and the region and the investment taking place in the hinterland. But the very selection of the towns was left to their respective state governments/ union territories. During the Sixth Plan, it was proposed to cover 235 towns with a population of 1 lakh and below, on the basis of 1971 census, giving preference to the district towns, sub-divisional towns and mandi towns. The population covered by these selected towns was 104.47 lakh, as of 1971, which increased to 147.36 lakh in 1981 and estimated at 166.02 lakh, as of March, 1984. The percentage share of IDSMT towns' population to the total urban population was 9.57 per cent in 1971 which increased to 10.23 per cent in 1984.

<sup>1</sup>A. Datta, "Development of Secondary Cities in India : The Policy-Implementation News", Paper presented in the *Symposium on South Asian Urban Experience*, Organised by Jawaharlal Nehru University, New Delhi, Feb. 20-22, 1986.

## FINANCIAL ALLOCATION AND DEVELOPMENT COMPONENTS

Initially, a sum of Rs. 96 crore was earmarked for the Central Sector. The funds required for the implementation were to be provided on matching basis in the ratio of 40:40:20—Central, State and Local Body. Each selected town under the scheme was given central assistance up to Rs. 40 lakh on 50 per cent matching basis carrying an interest of 5½ per cent per annum repayable in 25 years with a moratorium of 5 years. Part 'A' components under the scheme eligible for central assistance included: (i) land acquisition and development; residential schemes which included sites and services with or without core housing; (ii) traffic and transportation, construction of roads and improvement/upgradation of existing roads but did not include purchase of motor vehicles; and (iii) development of mandi/markets, provision of industrial estates, provision of other benefits of agricultural and rural development in the hinterland.

Part 'B' components, which included: (i) slum improvement/upgradation, urban renewal and small scales employment generation activity; (ii) low cost schemes of water supply, sewerage, drainage and sanitation; (iii) preventive medical facilities and health care; (iv) parks and playgrounds; and (v) assistance for the purpose of making modifications, wherever necessary, in city master plan to permit mixed land-uses, are to be financed by the state sector.

## IDSMT PROGRAMME EVALUATION AND ACHIEVEMENTS

An evaluation<sup>2</sup> of the IDSMT scheme brings about many positive contributions of the programme. The environmental amelioration and upgradation/addition to the services and infrastructure of the towns provided under the scheme led to many secondary developments through backward and forward 'linkages', generation of more employment at the grassroot levels and development of their skills have worked as prime mover in the personnel development which may be regarded as one of the results of backward linkages besides raising their per capita income, and thereby helping the urban poor to come out from the 'poverty line'. Housing projects and land development schemes have earned even 100 per cent returns. It has helped in increasing the value of agricultural output and has directly and indirectly benefited about four per cent of the population.

Although the scheme was launched during 1979-80 not much headway has been made, if the progress is to be judged on the basis of utilisation of central assistance. Out of Rs. 96 crore, only a sum of

<sup>2</sup>R. K. Wishwakarma et. al., *Evaluation and Impact of IDSMT Programme*, Centre for Urban Studies, IIPA, New Delhi, 1985.

Rs. 47.84 crore or about 50 per cent of the total central allocation had been utilised till the end of March, 1984. This also included a sum of Rs. 13.50 crore of central assistance made during the financial year, i.e., 1984-85. Taking into account the share of central assistance, an investment provision of Rs. 65.15 per capita was made but only a per capita of Rs. 32.46 was utilised at 1981 population and a per capita expenditure of Rs. 28.82 at 1984 population. The implicit assumption of a total provision of per capita investment of Rs. 162.88 made in the ratio of 40: 40: 20—Central, State and Local Body spread over a period of five years, gives a per capita expenditure of Rs. 32.58 per annum on IDSMT towns and, is a unique example of 'financial integration'. But programme evaluation indicates that a per capita investment of Rs. 18 per annum has only been made. This gives a total expenditure of 55.30 per cent made during 1979-80 to 1983-84. By the end of the Sixth Plan, 66 per cent of the central assistance amounting to Rs 635.70 million was released; while an expenditure of Rs. 938.1 million was incurred which is about 97.7 per cent of the plan allocation.

#### PROBLEMS AND CONSTRAINTS—ISSUES IN IMPLEMENTATION

An evaluation of the scheme indicated many a hurdle in the programme implementation lacking foresightedness. Efforts have not been made to create a proper development environment. To overcome the problems of *legal, administrative, technical and financial constraints*, it is necessary to create a proper environment by making publicity and propaganda and also by adopting other methods of mass communication including community education and training of development operators.

The programme implementation could not make much headway in reinforcing 'spatial' and 'sectrol' linkages, since the guidelines issued were not clear as to how these linkages were to be established. This is one of the reasons why the development of towns did not have their impact on the hinterland, and the scheme has miserably failed on this account.

Although IDSMT programme has been the only programme in the field of planning for urban development, where physical planning has been integrated with financial planning, a mismatch of resources with physical targets and no timely release of matching grant by the state sector has come in a big way in the total perspective of integrated development. The financial limit of Rs. 40 lakh for the central assistance has its own limitation and needs to be revoked in the light of town-specific development needs. Though 50 per cent of the central assistance was utilised, 35 per cent of the town did not show even any progress, and only 80 out of 235 towns either demanded only first

instalment or utilised less than Rs. 10 lakh. The procedural delays and improper selection of the towns due to lack of: (i) guidance and initiative by the implementing agencies, and/or (ii) lack of their own resources or, both have come in a big way, resulting in dropping of even some important projects or their delayed implementation. The study suggested a need for raising the upper limit of central assistance beyond Rs. 40 lakh.

The issue of jurisdiction has also come before the implementing agencies, as their 'operational area' has been confined to municipal limits only. The study recommended that the project management could be made more effective, if its jurisdiction could be extended far beyond the municipal limits to cover the peripheral areas in the towns' hinterland.

#### SHIFT IN URBAN POLICY

A policy analysis of urban development strategies would reveal that the concern for public welfare has strongly influenced national development goals and strategies and sustained efforts have been made to cope up with the demand for urban poor. But a shift in urban policy from IDSMT to UBS and Housing Policy during the Seventh Plan is a major change in policy planning. Experimentation in several kinds of urban strategies from IUDP to IDSMT and IDSMT to UBS and housing and their policy analysis leads to policy paralysis. The urban basic services (UBS) approach to urban development combines the urban community development programme, small and medium town development and low-cost sanitation under a single package called UBS.

The UBS project is supposed to be linked to other development programmes. In pursuing the spatial perspective of the district as a focal point of planning, the UBS programme will seek mutual reinforcement and have to work closely with government programmes such as Integrated Child Development Services (ICDS), Social Inputs in Area Development (SIAD), Development of Women and Children in Rural Area (DWCA), Integrated Development of small and Medium Towns (IDSMT) and Urban Community Development (UCD), which are active in both rural and urban areas. The idea behind mutual reinforcement is to reduce rural urban imbalance in social development and at the same time prevent urban problems from becoming intractable, by reducing the need for rural families to migrate to the towns.<sup>3</sup>

While making urban programmes under UBS, continuity in terms of objectives and actions need to be suitably framed within the context

<sup>3</sup>UNICEF, *Plan of Operations 1985-89, Country Programme of Cooperation, Government of India and UNICEF Agreed Draft, November 1984, Chapter 2.*

of multi-year programmes. This will necessitate mechanics of an effective transfer of information, coordination and involvement among sectors and thus needed sectoral 'integration' of total plan in the context of all other sectors.<sup>4</sup>

### ISSUES IN UBS MANAGEMENT

The services which are provided by public bodies are generally, water supply, solid wastes disposal, sewerage, drainage, and environmental sanitation, urban housing, urban roads, parks, playgrounds, electricity, health and education and related infrastructure. And several agencies at different levels of government and with different sectoral responsibilities are involved in the delivery of basic services. This functional fragmentation in the delivery of services indicates the critical need for coordination. The organisational and institutional framework for the management of basic services appears to be too complex. While the project management unit in UBS is given the overall authority over all project components, there are other sectoral entities also having similar direct lines of authority. In spite of the efforts to establish responsibility of and to delineate areas of jurisdiction including lines of coordination, the system is not so simple to be executed in a simplified manner.

The Project Officer of the rank of District Collector with power of heads of sectoral department to manage the UBS affairs will have to rely more on the political system and bureaucracy for the involvement of the community and local organisations. Since anti-poverty programmes are changing and delivery of urban services like slum improvement, sanitation, garbage removal, etc.. can be organised and even paid for at the community level, this calls for better allocation of existing funds and mobilisation of additional resources by the municipal bodies themselves. Simultaneously, the performance task and achievement motive would have also to be changed in a developing situation to suit the environment. The inflexibility which is often built into ways of bureaucracy exercises pulls in two opposite directions and the organisation is often unable to respond to the needs of change. Thus a system created for efficiency becomes a drag on development.<sup>5</sup> Unless development administration of UBS combines the elements of polities (who benefits) and organisation theory (structural and institutional changes) with bureaucratic reorientation (changes in tasks, roles,

<sup>4</sup>R. K. Wishwakarma, "Planning for the Poor—with a Focus on Urban Basic Services", *Nagarlok*, Vol. XVIII, No. 2, April-June, 1986, p. 20.

<sup>5</sup>I. Dayal and Amrit Kala Dayal, *Organisation for Management in Developing Countries*, Concept Publishing Company, Delhi, 1978, p. 55.

values, attitudes and behaviour patterns)<sup>6</sup> and establishes and link between changes in the incidence of poverty and delivery of services, there is no possibility of having a fruitful solution to any anti-poverty programme. It may be labelled under UBS or otherwise.

### ISSUES IN POLICY PERSPECTIVE

It has generally been observed that conventional efforts to engineer growth most often fail because they do not take into account broader issues and are confined to peripheral or marginal issues. The growth of small towns in the region is conditioned by the pattern of economic activities in the region including agricultural surpluses and economic potential of the town within the territorial economy of the region and rarely by the amount of investment or utilisation of development funds by the local authority, which in any case is much too insignificant in case of IDSMT to generate any impact on the town. Our urban policy adopting any kind of strategy has to give due regard to economic development potential, inter-urban and inter-regional equity considerations and spatial and locational consistency.

If a large number of jobs created and skill developed during the course of implementation of IDSMT programme is to be sustained and linkages forged, the continuation of IDSMT programme with (bit modification of strategy) labour intensive projects in productive employment having healthy economic base has to be given a place of importance in policy perspective. The policy planner has to understand as to how the elements of small towns are sustaining the activity of these towns and examine the pace of institutional changes that are taking place in the context of physical and economic development of the town.<sup>7</sup> If surpluses of population are going elsewhere other than the agriculture, it is due to lack of healthy economic base and social and institutional framework. Efforts should therefore be made to strengthen such a kind of development framework which does not allow growth to have its negative effects on social and cultural dimensions of the town.

The economic activity of industrial nature has to be discouraged in big cities, since growth potential of small and medium towns is feasible and also the cost of providing services *vis-a-vis* the unit cost of creating

<sup>6</sup>M. Sanwal, "Consolidation vs Change", *Economic and Political Weekly*, Vol. XXI, No. 28, July 12, 1986, p. 1211.

<sup>7</sup>R. K. Wishwakarma, "IDSMT Programme: Its Achievement, Problems and Constraints", Paper contributed to the Symposium on South Asian Urban Experience organised by Jawaharlal Nehru University at India International Centre, February 20-22, 1986.

job in these towns is relatively cheaper.<sup>8</sup> Basic services like water supply, sanitation, solid wastes disposal, roads, and street lighting, etc., provided by the local authorities have to be linked to other infrastructural agencies like transport, power, communication, health and education which are also parts of urban development whether it is a case of IDSMT or UBS. □

<sup>8</sup>R. K. Wishwakarma, *Unit Cost of Creating Job in Central Government and Allied Undertakings: Its Employment Multiplier Effects and Implications*, Centre for Urban Studies, IIPA, 1983 (Mimeo).

## *Integrated Development of Small and Medium Towns in Retrospect and Prospect*

DIWAKAR S. MESHRAM

AS THE emigrants from rural areas were directly entering the big cities, by-passing small and medium towns and the people from small urban centres were as well moving towards big cities due to the neglected development of small and medium towns, it was felt that apart from developing big cities, attempts should also be made to provide infrastructures and other essential facilities in the small and medium towns by making increased investments, so that these towns could provide alternative centres of employment, subserve the rural hinterland and ultimately help checking the ever increasing influx of the rural-urban population migrating to big cities.

With this backdrop the scheme of Integrated Development of Small and Medium Towns (IDSMT) was initiated in the Sixth Five Year Plan earmarking an amount of Rs. 96 crore for providing central assistance on a matching basis for towns with a population of one lakh and below on the basis of 1971 census figures. In selecting these towns the guidelines provided that preference would be given to district headquarter towns, followed by sub-divisional towns, mandi towns and other important growth centres. The choice of district headquarter towns and sub-divisional towns should be such as to check the migration of the rural population and perform the role of service and market centres to the rural hinterland in the context of the balanced development of the entire district and the region.

Since it was not possible to cover all the 2380 such towns (as per 1971 census) conforming to the population criteria, a target of covering about 231 towns was fixed during the Sixth Five Year Plan. The towns were to be chosen from all states and Union territories on the basis of urban population of each state in such towns. The selection of the towns was left to the state governments, to be done carefully with reference to the rate of growth of the district and the region and investments taking place in the hinterland. Another important criteria for selecting the towns was the linkage between the generation of

employment and urban development and the capacity of the institutions responsible for it.

The guidelines framed for the IDSMT scheme have categorised the components of development into two parts. Part 3A components which were to be assisted by the Central Government on a matching basis include:

- (i) Land acquisition and development. The residential scheme may include site and services with or without core housing. However, 50 and 20 per cent plots should be earmarked for economically weaker sections and low income group categories respectively.
- (ii) Traffic and transportation to subserve shelter and employment; project may include construction of new roads and improvement/upgradation of existing roads but not to include purchase of motor vehicles.
- (iii) Development of markets/mandies, provision of industrial estates, provision of other services and processing facilities for the benefits of agricultural and rural development in the hinterland.
- (iv) Construction of municipal abattoir.

The 33 components for which funds are to be found from the resources of the state governments/implementing agencies but which must form part of the Integrated Scheme include:

- (i) Slum improvement/upgradation, urban renewal and small scale employment generation activity.
- (ii) Low cost scheme of water supply, sewerage, drainage and sanitation.
- (iii) Preventive medical facilities/health care.
- (iv) Parks and playgrounds.
- (v) Assistance for the purpose of making modifications wherever necessary, in city master plans to permit mixed land use.

The cost of the projects of each town under part 3A components was expected to be about Rs. 100 lakh. However, central assistance given on 50 per cent matching basis was limited to Rs. 40 lakh or 50 per cent of total approved cost of part 3A components, whichever is less; the remaining amount had to be provided by the state governments/implementing agencies. The central assistance is a soft loan carrying an interest rate of 5.5 per cent per annum (now 8.75 per cent) and is to be repaid in 25 years with a moratorium of five years.

The low cost sanitation scheme, to improve the environment of

small and medium towns and to eliminate the manual carriage of human waste was brought under the purview of part 3A components during 1983-84. For this purpose central assistance of Rs. 15 lakh was made available to each IDSMT town, over and above Rs. 40 lakh subject to the provision that the state government/union territories make specific provision of Rs. 12 lakh per town over and above Rs. 40 lakh of matching state contribution for towns where the approved programme is Rs. 80 lakh and above. In other words, the central assistance of a maximum of Rs. 55 lakh for each town could be availed of, provided state governments contribute Rs. 52 lakh. Hence the total minimum outlay for each town amounts to Rs. 107 lakh.

The purpose behind selecting part 3A components was mainly to generate employment opportunities in small and medium towns so that rush to get jobs in big cities is mitigated to some extent. The state sector components mainly aim at improving the physical environment of towns by bettering slums, developing parks and other public amenities.

With the commencement of the IDSMT scheme during 1979-80, central assistance of Rs. 2.25 crore was provided to 31 towns. This being the first year, a lot of time was consumed at the central level in framing guidelines and sending instructions to state governments in related matters. Besides, state governments also took time to understand the scheme. The selection of towns could not be made immediately as most states did not have an urban development policy specially for small and medium towns. Project formulation for the selected towns face lack of technical staff. In state government budgets adequate funds were not provided to match central assistance.

During 1980-81 a commendable trend emerged and 91 additional towns were given central assistance of Rs. 9 crore. The scheme actually picked up pace in 1981-82. In this year 77 more towns were added to the approved list and central assistance of Rs. 12.02 crore was released. This included the second instalment of Rs. 4.06 crore to 31 towns covered in the preceding year.

During 1982-83 another 31 towns were sanctioned and central assistance of Rs. 10.82 crore was released. This was mainly subsequent instalment availed of by the states which had the maximum number of towns approved during 1979-80 and 1980-81. In other words, state government have taken two to three years to report a reasonable rate of progress. In 1983-84 only three additional towns were covered but substantial central assistance amounting to Rs. 13.50 crore was distributed towards subsequent instalments, including Rs. 1.70 crore released for low cost sanitation. While in the year 1984-85, Rs. 15.98 crore was released.

The actual release of central assistance till March 31, 1985,

amounts to Rs. 63.57 crore. However, central assistance which was sanctioned in the month of March, 1985 amounting to Rs. 3.90 crore, reached the implementing agencies after March 31, 1985 (after the close of the financial year). Hence the State governments and implementing agencies could not utilise this along with the states matching share during the plan period. The impediments which hampered the progress of the IDSMT are :

- (a) Delay in selecting towns and formulation of projects by state governments and implementing agencies.
- (b) Neglecting the towns having a growth potential.
- (c) Technical in-adequacy of the implementing agencies and lack of institutional arrangements.
- (d) The major impediment in executing the IDSMT scheme was and is the acquisition of land. It takes excessive time due to litigation and other administrative problems.
- (e) Delay in releasing central assistance by state governments to implementing agencies, because of separate budget heads and sometimes due to an insufficient provision in the budget for matching contribution.
- (f) The financial position of the most of the implementing agencies was not sound.
- (g) In almost all towns the cost escalation factor was not taken into consideration at the time of formulating the project, this raised difficulties in achieving physical targets within the approved cost.
- (h) The short supply of building material like cement and steel was one of the major obstacles in achieving desired progress.
- (i) Lack of proper coordination between inter and intra-agencies at the state and local level was also observed.

However, against the plan allocation of Rs. 96 crore, Rs. 63.57 crore (66 per cent) were made available and the same have been fully disbursed, while actual expenditure of Rs. 93.81 crore have been incurred which is 147.6 per cent of the central assistance released and 73.8 per cent of the release of central assistance and equal state matching contribution of state taken together. Seeing the expenditure incurred on small and medium towns in the earlier five year plan, the investments made and expenditure incurred appears to be substantial. The specific achievements of the IDSMT scheme are :

- (a) The urban population of India is 10.90 crore while the population of 235 IDSMT towns covered during Sixth Five Year Plan as per 1971 census, is 1.05 crore that is about 10 per cent of

the total urban population of India is being served by the IDSMT scheme.

- (b) As the population of 235 IDSMT towns is 1.05 crore and actual expenditure incurred is Rs. 93.81 crore, the per capita expenditure in 235 towns covered under the scheme works out to Rs. 89.34. The estimated employment generated is 110.13 lakh man days for manual workers and 28.57 for technical personnel.
- (c) Under the residential area development, the proposal was to develop 2,854 hectares of land out of which area measuring 1,649 hectares have been fully developed and remaining work for developing 1,285 hectares of land is under progress.

The specific example which highlights the physical and financial achievement under residential development can be quoted from Ganganagar project in Rajasthan. According to the IIPA report published in July, 1984 a proposal in the town was to provide site and services for 1,463 families constituting seven per cent of the households. The project impact has been very extensive. Nearly four per cent of the households of the town have directly been benefited from this project. The total expected revenue from the acquired and developed land will be Rs. 1.90 crore. The total revenue yields from the implementation of the project is expected to be Rs. 2.62 crore after it is fully completed. The amount of profit is equivalent to 86 per cent of the project cost and is expected to reach to Rs. 1.30 crore. This indicates that the project has not only generated the revenue for municipal councils but the IDSMT scheme proved to be a boon to municipal councils.

- (d) For commercial purpose the target was to develop 283.7 hectares of land for construction of 25,604 shops, 7,996 stalls and 583 godowns of which 227.21 hectares (80 per cent) of land has been fully developed in various towns throughout India and 10,287 shops (40 per cent) 5,880 stalls (73.5 per cent) and 271 godowns (46.4 per cent) have been constructed and remaining work is in various stages of construction and completion.
- (e) For industrial purpose, the proposal was to develop 309.5 hectares of land out of which 138.6 hectares (44.7 per cent) have been fully developed.
- (f) With the intention to open new areas for development the construction of 361.2 kms. of roads was taken up out of which 179.4 kms. (49.4 per cent) of roads have been fully constructed. While for the easy and smooth circulation of

traffic the existing roads length measuring 188.47 kms. was proposed for improvement and upgradation out of which 169.41 kms. (43.6 per cent) of road length have been upgraded and remaining work of construction of new road and upgradation work is in progress.

- (g) The construction of 94,181 new units, of pour flush water seal latrines, conversion of 1,03,544 units and construction of 5,018 public latrines at the cost of Rs. 17.97 crore was taken up, under low cost sanitation.

From the above physical and financial achievements of the scheme it is crystal clear that the scheme, though started on a modest note, has made a dent. Now almost all the problems and constraints have been sorted out and scheme has taken off the ground and requires to be extended in the Seventh Five Year Plan. Not only the scheme needs to be continued in the Seventh Five Year Plan for 235 towns covered already but its coverage also requires to be widened both in terms of the number of towns, as well as in terms of more financial assistance per town, so that the effect and impact of the scheme trickles down to maximum number of small and medium towns especially in the less developed/under developed regions of the country.

The number of small and medium towns having a population of less than one lakh were 2,380 in 1971 which have increased to 3,029 in 1981. Barring the towns which have a population less than 10,000 the number of towns falling under the category of less than one lakh population and more than 10,000 works out to 2,057 and thus target should be to cover all these towns in phases but priority should be given to those towns which have more growth potential. Besides, ongoing schemes in the towns already covered during Sixth Five Year Plan should also be continued by giving additional central assistance so that these schemes are completed and do not remain half implemented for ever. Besides, if the objective is to mitigate the problem of migration towards metropolitan and large cities, then the more viable alternative appears to be to select medium towns and small cities which have a better growth potential and which can attract the influx of the rural urban population and can serve as service-cum marketing and employment generating centres for its hinterland. These are the towns which actually have : (a) a potential of absorbing migrant population, (b) self sustaining capacity, and (c) technical and institutional arrangements. As no reasonable progress is observed on low cost sanitation, the whole town approach should be followed instead of limiting financial assistance to Rs. 27 lakh per town (Rs. 15 lakh central share and Rs. 12 lakh state share) and instead of loan component, the component of subsidy be introduced for low cost sanitation.

In the Seventh Five Year Plan, the scheme has been extended to 102 additional towns and central assistance of Rs. 40 lakh to each town has been enhanced to Rs. 46 lakh beside Rs. 14 lakh for low Cost Sanitation on matching basis. In the plan document, the development of medium towns having population 1 to 3 lakh has been recognised. But due to paucity of funds, no extra fund were allocated. However, the provision of Rs. 88 crore for covering 102 additional towns and for releasing central assistance for ongoing schemes of approved towns of Sixth Five Year Plan has been made. □

# *Development of India's Secondary Cities: A Study of Gujarat*

D. G. PANDYA

THE COMPLEXITY of urban problems of urban centres of all size classes is getting more and more acute and has become a subject matter of worry for all developing countries. This has been discussed in various national and international seminars. More than the rate of urbanisation, the ever-increasing disparity in distribution of population in urban centres has been a matter of serious concern for not only planning authorities but the nation as a whole. The root causes of the present trend of urbanisation have to be analysed and appropriate policy measures have to be evolved for fair distribution of population and benefits of development.

Increasing pace of urbanisation calls for immediate attention towards proper and timely efforts in the field of planning of towns and cities. While some attention is being given to major metropolitan cities, the small and medium towns are almost neglected. These towns could otherwise act as the centres to check the migration towards metropolitan cities. The small towns could also act as a growth and service centre for rural hinterland more effectively.

## URBAN POPULATION IN GUJARAT

The population of Gujarat state has grown at a faster rate in last three decades as compared to earlier decades. This is evident from Table 1.

The decadal rate of increase of population in Gujarat state has always remained higher than all India figure since 1901. The proportion of urban population in Gujarat has also remained higher than all India figure throughout this century. Gujarat is thus one of the highly urbanised states in the country and ranks third among the states of India.

TABLE 1 GROWTH OF URBAN POPULATION IN GUJARAT

Year	Population of Gujarat in crore	Decadal variation		Percentage of urban population	
		Gujarat	All India	Gujarat	All India
(1)	(2)	(3)	(4)	(5)	(6)
1901	0.91	—	—	22.33	10.83
1911	0.98	+ 7.19	+ 3.75	19.25	10.29
1921	1.02	+ 3.79	— 0.30	20.15	11.20
1931	1.15	+12.92	+11.00	20.50	12.00
1941	1.37	+19.25	+14.23	23.79	13.90
1951	1.63	+18.69	+13.31	27.23	17.30
1961	2.06	+26.88	+21.64	25.77	18.00
1971	2.07	+29.39	+24.80	28.08	19.90
1981	3.41	+27.67	+25.00	31.10	23.31

## URBAN GROWTH BY CITY SIZE

The number and proportion of towns and cities in the state of Gujarat under the Six size categories of towns and along with the urban population of each size class as per 1981 census is given in Table 2.

TABLE 2 DISTRIBUTION OF POPULATION IN THE VARIOUS SIZE CATEGORIES OF TOWNS

Sr. No.	Size class of town	No. of towns		Urban population	
		1971	1981	1971	1981
(1)	(2)	(3)	(4)	(5)	(6)
1.	1 lac & above	7	11	3389646 (45.10%)	5316142 (50.14%)
2.	50000 to 99999	18	27	1173725 (15.66%)	1801840 (17.00%)
3.	20000 to 49999	42	57	1328215 (17.72%)	1782548 (16.81%)
4.	10000 to 19999	73	86	1058873 (14.07%)	1215757 (11.47%)
5.	5000 to 9999	71	61	539876 (7.20%)	451094 (4.26%)
6.	Below 5000	5	13	21165 (0.28%)	34274 (0.32%)
	TOTAL	216	255	7496500 ( 100%)	10601653 ( 100%)

It is seen that 62.7 per cent of the total number of towns is in the size class (10,000 to 19,999) of population and less than 20,000 have only 16 per cent of the total urban population of the state in the year 1981. More than half the urban population of the state is concentrated in only 11 cities of the state. Ahmedabad above accounts for nearly 25 per cent of the urban population of the state.

The urban population of the state was 31.10 per cent in 1981 as compared to 28.08 per cent in 1971 which indicates the increase in the degree of urbanisation in Gujarat during the last decade.

#### IDSMT FIRST: EFFORT IN RIGHT DIRECTION

The centrally sponsored scheme for development of small and medium towns introduced by the Government of India to provide central loan assistance on matching basis for selected items of development is the first effort in right direction. The objective of this scheme is to develop the small and medium towns for enabling them to act as growth and service centres for the rural hinterland and to reduce the rate of migration to metropolitan cities. The timely planned development of towns at an early stage would prevent huge expenditure for improvement of environment later. In view of fixed number of towns available for Gujarat under the Government of India scheme, the projects for only seventeen towns were prepared in the state plan.

The components eligible for central assistance on matching basis are traffic and transportation, provision of site and services and development of market and mandies. Later, the components of low cost sanitation has also been included for the central assistance. The components for which the funds are to be found from the state plans are slum improvement/upgradation, low cost schemes for water supply and sewerage, preventive medical facilities and health care, etc. The central assistance is provided in the form of loan to the extent of 50 per cent of the cost of projects limited to Rs. 40 lakh per town. In the Seventh Plan this figure has been raised to Rs. 52 lakh of which Rs. 6 lakh is to be spent on the low cost sanitation project.

In addition to this, Rs. 8 lakh per town is provided for optional low cost sanitation project. The loan initially carried a rate of interest of 5.5 per cent which has now been increased to 8 per cent at present subject to rebate of 1/4 per cent for timely payment of principal and interest. It is repayable in 25 years including a moratorium of 5 years.

The total cost of the projects for all the seventeen towns in Gujarat is estimated as Rs. 1,685.25 lakh of which the projects amounting to Rs 1,227.12 lakh are approved by the Government of India. Financial assistance in the form of central loan amounting to Rs. 454.68 lakh, state's loan of Rs. 175.685 lakh, and the Gujarat Municipal Finance

Board's loan of Rs. 93.75 lakh is advanced. The total loan assistance of Rs. 724.115 lakh is advanced upto now. As against this, the total expenditure incurred upto now is Rs. 764.766 lakh. The townwise loans advanced and expenditure incurred are given in Table I in Appendix.

#### PROBLEMS IN IMPLEMENTING THE SCHEME

The scheme for integrated development of small and medium towns was initiated in 1979 and by 1985 the total amount of Rs. 80 lakh for development of each town was required to be spent. The expenditure incurred so far by the respective local authority is not satisfactory. The reasons for slow progress in implementation of various projects are as under:

##### *Availability of Land*

Urban land has become an important issue due to rapid increase in urban population coupled with the fact that the availability of urban land is scarce. The main reason for slow progress of the projects under IDSMT scheme is availability of land for the proposed projects. The parcels of private land were required to be acquired and the land acquisition in addition to the grant of government land wherever possible. It is noticed in some cases that the proposals for land acquisition were not submitted to the government in time. The procedure to be followed for acquisition of land vide land Acquisition Act is lengthy and the land does not become available for development in time. Again, the progress of land acquisition gets delayed due to court cases by the interested parties. The implementation of the scheme would have been much faster if the local authorities had land in their possession for all the sites of the projects.

##### *Availability of Manpower*

One of the major problems, which almost all the local bodies are facing today is the lack of adequate technical and managerial manpower of their disposal. The procedural mechanism is also hardly geared to undertake time bound projects. Most of the local authorities have hardly any technical person worth the name. The unqualified person who join at a lower level gets promoted in course of time in the seniority ladder to occupy higher position for which he is neither qualified nor trained. He somehow manages to pull on the maintenance works. Technical guidance in project preparation is provided by the state town Planning and Valuation Department for this scheme. But the availability of technical manpower to implement the project would have really helped to achieve better result within time bound programme.

#### *Procedural Delays*

Revised projects had to be prepared due to non-availability of land or other reasons. The revised reports were forwarded to government of India through state government for approval amounting to delays in implementation. In this regard the state government could have been empowered to accord sanction to the revised scheme or modification in the proposal to the extent that the same are in conformity with the objectives of the scheme.

#### *Unstable Municipal Body*

The unstable elected body and supervision of the elected body are also responsible for slow implementation of the projects.

### FINANCIAL ASPECTS

The most important aspects of all is the financial aspects and there is seldom anyone who has appreciation of it and comprehensive view or a comparative picture is generally lacking. A very close and vigilant eye has to be kept on the scheme for its review item by item. Control is necessary to see that whatever loan assistance has become due is claimed without delay. As far as IDSMT scheme is concerned, the whole system is such that expenditure incurred by the local body duly certified by its chief officer has to be sent to the government through chief town planner. It is to be countersigned by the finance secretary and sent to the Ministry of Urban Development for release of funds. This cycle is so long that it takes about a year to get reimbursement for expenses incurred. In the meantime, the local body has to go on incurring expenditure from its own funds. The outflow of funds may involve income generation from the project for which land acquisition is undertaken. The time schedule within which the stages of projects are identified should be carefully considered for implementation. In the above connection, it may be stated that the realisation of income from market and mandies in Anand town has yielded good results (Table II in Appendix). No local authority can have enough resources to provide for various demands made on it. As far as this scheme is concerned, no local body is in a sound position to contribute its share towards matching contribution for implementation. The rate of interest which was 5.5 per cent earlier is to be borne by the implementing agencies. This has further affected speedy implementation of this scheme.

#### *Suggestions*

The urban population of Gujarat state has increased from 74,96,500 to 1,05,56,421. This shows an increase of 40.82 per cent. The propor-

tion of urban population in Gujarat state is about 31 per cent of the total population as against 23.75 per cent in the country. The urban population of the state is living in 220 towns, cities or urban agglomerations. The distribution of these 220 cities or towns according to the population size class is as given in Table 3.

TABLE 3 DISTRIBUTION OF TOWNS ACCORDING TO VARIOUS SIZE CATEGORIES IN GUJARAT

<i>Class size</i>		<i>No. of towns as per 1971 census</i>	<i>No. of towns/urban agglomeration as per 1981 census</i>
I	1,00,000 & above	8	13
II	50,000 to 99999	17	23
III	20,000 to 49999	37	46
IV	10,000 to 19999	66	76
V	5,000 to 9999	67	53
VI	Below 5,000	5	9
<b>TOTAL</b>		<b>200</b>	<b>220</b>

In view of the large number of towns, namely 220 towns, the seventeen towns accepted by the Government of India in the previous five year plan and 7 towns in the current plan appears to be too low. At least to make an appreciable dent on the situation within next two decades, fifty towns should be covered in each five year plan programme so that it may be possible to cover about 200 towns by the next two decades.

The basic objectives of the integrated development of small and medium towns are:

- (i) to reduce the rate of migration to metropolitan cities, and
- (ii) to enable them to act as growth and service centres for the rural hinterland.

These two objectives call for selection of different sizes of towns. In order that a town is able to cause some impact to check the migration towards metropolitan cities, the town has to be sizeable enough. It has to be a city at least beyond 1 lakh population for this purpose. It is, therefore, suggested that the cities with population up to 3 lakh should also be covered under IDSMT programme and the schemes for sites and services for these cities should include slum upgradation with more liberal pattern of assistance. All the towns beyond 20,000 population are most likely to be the towns already serving the rural hinterland. The objective 'to serve the rural hinterland' can be better

achieved by selecting the town which is the urban centre available to the rural hinterland in commutable proximity preferably the town with population less than 20,000. The capability of a town to serve its hinterland could be determined by the availability of all weather roads, preferably served by regional bus service or railway to enable the hinterland to benefit from the services available in the town. Hence, these aspects need to be stressed while selecting a town to serve the hinterland. The financial position of these towns is likely to be worse than the big towns. Such towns cannot undertake development programme without adequate subsidy.

The cent per cent central loan assistance should be provided for the towns less than 20,000 population as per 1981 census. Seventy five per cent for the towns between 20,000 to 50,000 and the present practice of providing half (50 per cent) central assistance should be continued for the towns above 50,000 population as per 1981 census.

The components of sites and services and slum upgradation (a new component) should be provided cent per cent central assistance irrespective of the size of the towns.

The quantum of the total size of project for town is suggested to be revised as under :

	<i>Total project size suggested Rs. in lakh</i>
(i) Towns with population less than 20000 as per 1981 census	80
(ii) Towns with population 20000 to 49999 as per 1981 census	120
(iii) Towns with population 50000 & above	200

The choice of components should be left to the state government as town planning department with the state government will be in a better position to choose the right component depending upon the function of the town in its regional context so that the objectives of the scheme are best served.

Instead of loan, grants may be given keeping in view the gaps in the required investment on civic amenities as per the Zakaria Committee report and the strained financial position of the local bodies.

The implementation of the projects under the IDSMT scheme can hardly be carried out as per the schedule because the local authorities are hardly equipped with the necessary technical and managerial manpower to carry out such programme in time. The change of elected wing will also add to the delay. In view of this, it is necessary that reasonable escalation (not exceeding 50 per cent) is allowed to meet the increased cost of the project.

The rate of interest on loan is revised from time to time by the Government of India. The rate should remain constant for the entire plan period. This will help the implementing agencies to plan their programmes more effectively. □

### Appendix

TABLE I STATEMENT SHOWING LOAN ASSISTANCE GIVEN UP TO MARCH 1986 AND EXPENDITURE INCURRED UPTO 31.3.86 UNDER IDSMT SCHEME

Sr. No.	Town	Central loan	State loan	M.F.B. loan	Total loan	Total Expenditure up to 31.3.86	Total Expenditure up to 30.6.86
1.	Anand	40.00	13.00	7.50	60.00	80.76	84.42
2.	Patan	22.34	14.00	4.25	40.59	49.31	51.06
3.	Valsad	36.74	20.51	10.25	67.50	63.37	65.13
4.	Porbander	28.37	15.50	10.50	54.37	19.91	19.91
5.	Veraval Patan	14.50	5.00	5.00	24.50	29.35	29.65
6.	Palanpur	31.94	6.22	9.75	47.91	48.48	48.48
7.	Ankleshwar	38.24	12.67	7.75	58.66	54.86	54.97
8.	Dahod	32.50	9.23	5.50	47.21	37.98	39.21
9.	Godhra	34.87	8.325	6.25	49.445	62.58	64.20
10.	Amreli	37.00	9.25	9.25	55.50	65.23	75.25
11.	Bhuj	12.00	3.00	3.00	18.00	27.46	27.46
12.	Khambhatt	24.25	6.06	1.50	31.81	33.09	33.10
13.	Mehsana	24.68	6.17	5.00	35.85	52.50	58.73
14.	Mahemdabad	14.25	14.00	—	28.25	18.591	18.591
15.	Kalol	40.00	11.75	8.75	60.50	84.506	64.506
16.	Sanand	8.00	10.25	—	18.25	7.762	7.762
17.	Dehgam	15.00	10.75	—	25.75	22.337	22.337
<b>TOTAL</b>		<b>454.68</b>	<b>175.685</b>	<b>93.75</b>	<b>724.115</b>	<b>738.076</b>	<b>764.766</b>

TABLE II IDSMT SCHEME IN GUJARAT—STATEMENT SHOWING THE DISPOSAL OF SHOPPING CENTRES CONSTRUCTED UNDER IDSMT IN ANAND TOWN

Sr. No.	Location of Project	Expendi- ture done (Rs. in lacs)	Deposit recovered (Rs. in lacs)	Advance rent of 27 months (Rs. in lacs)	Annual rent (Rs. in lacs)	Remarks
1.	Shopping on T.P.S. No. 154/1 of T.P.S. No. 1 (23 shops)	8.17	14.77	2.63	1.15	
2.	Shopping on F.P. No. 258 of T.P.S. No. 2 (18 shops)	3.22	4.66	1.13	0.50	
3.	Shopping on F.P. No. 102 of T.P.S. No. 2 (15 shops)	3.63	5.86	0.12	0.56	

# *Development of Small and Medium Towns in Karnataka*

R. M. MALAVAIAH

## URBANISATION AND ITS EFFECTS

URBANISATION IS a universal phenomena. Compared to the percentage of urbanisation in the advanced countries, the trend in India looks to be in the beginning stage. If the figures of urban population in the different decades are compared, one can conclude that the process of urbanisation is massive not only as the percentage to the total population but also in absolute figures. The urban population in India which was only about 61.63 million in 1951 has gone up to 159.72 million in 1981 and is expected to reach nearly 250 million by the end of the century.

In the state of Karnataka, urban population as per 1981 census accounts for 28.91 per cent and it is much more than the national average of 23.20 per cent. The growth of urban population in Karnataka since 1901 is shown in Table 1.

TABLE 1 GROWTH OF URBAN POPULATION IN KARNATAKA—1901-1981

Year	Urban population	Percentage urban population to total population	Percentage growth of urban population
1901	1,639,900	12.56	—
1911	1,563,772	11.56	(—) 4.64
1921	1,840,687	13.76	17.71
1931	2,239,134	15.30	21.65
1941	2,753,967	16.94	22.99
1951	4,453,480	22.95	61.71
1961	5,266,493	22.33	18.26
1971	7,122,093	24.31	35.23
1981	10,711,103	28.91	50.39

This shows that the urban population has grown up considerably

during the last four decades. The distribution of the urban population in different classes of cities is given in Table 2 and Table 3.

TABLE 2 PERCENTAGE DISTRIBUTION OF URBAN POPULATION IN DIFFERENT SIZE CLASS TOWNS IN KARNATAKA—1901-1981

Class of towns	Year								
	1901	1911	1921	1931	1941	1951	1961	1971	1981
I	9.95	12.12	18.53	24.18	30.46	36.40	41.37	51.32	58.86
II	12.65	13.62	15.33	9.52	12.10	8.73	12.76	8.40	6.44
III	14.04	15.79	9.54	11.95	8.58	13.26	15.95	15.38	17.73
IV	14.60	13.07	17.51	17.27	19.73	16.99	19.50	19.05	13.72
V	30.75	27.32	22.82	23.39	20.90	20.79	8.04	4.62	2.86
VI	17.99	18.08	16.27	13.69	8.15	3.83	2.38	11.23	0.59

TABLE 3 DISTRIBUTION OF URBAN POPULATION IN KARNATAKA AMONG VARIOUS SIZE CLASS TOWNS IN 1981

Class of towns	Number of towns	Total urban population	Percentage of population to total urban population
I	17	6,294,438	58.66
II	11	690,849	6.44
III	64	1,902,813	17.73
IV	100	1,471,934	13.72
V	42	307,545	2.86
VI	16	62,027	0.59
I to VI	250	10,729,606	100.00

From the above Tables, it may be seen that 58.66 per cent of population is concentrated in 17 Class I Cities out of which nearly 50 per cent is in Bangalore Metropolitan Area alone. The Class I Cities are growing faster at the cost of small and medium towns. The effect of this uneven distribution of urbanisation and concentration of population in a few urban centres have resulted in degradation of urban life in the form of housing shortage, insanitary conditions, inadequacy in transport and communications, creation of slums, etc., as the cities were not designed to take care of such an on-rush of population from rural areas. Except in a few cases, much attention is not paid to take care of the needs of such rapidly growing cities and towns on a regional basis.

Bangalore, the capital city of Karnataka which was eighth largest

city in the country during 1951, has become the fifth biggest in 1981. The population of Bangalore has increased from 16.53 lakh during 1971 to 29.16 lakh during 1981. The rate of growth of population during, the last decade was 76.17 per cent. This is the highest among the metropolitan cities in India. This rapid growth has changed the salubrious climate of Bangalore which was once known as 'Garden City'. It has also created housing shortage and drinking water has become the major problem in recent years. In 1985, for the first time, alternative water supply system was introduced for more than six to eight months for some parts of the city. Slums have sprung up in and around the city. It is estimated that there are about 290 slums accommodating more than 15 per cent of total population. Similarly, there are acute traffic and transportation problems. Sub-standard and haphazard development and construction are seen enveloping the very attractive and well planned extensions of the city. The situation in other Class I Cities are in no way better with regards to these problems. In spite of all these, the cities are bound to grow. Hence, there is a necessity to look at the urbanisation, city planning and development in a comprehensive manner.

#### **INTEGRATED DEVELOPMENT OF SMALL AND MEDIUM TOWNS SCHEME**

##### *Goals and Objectives*

During the Sixth Five Year Plan, emphasis was laid on development of small and medium towns to increase their growth rate so as to make them to act as growth and service centres for their rural hinterland and to reduce the growth of metropolitan and other major cities. It is proposed to achieve this objective by increasing investment on development of infrastructure and other essential facilities. For this purpose integrated development of small and medium towns was envisaged with the intention that these towns could be developed on a proper perspective keeping in view their locational importance and linkages in the region. Hence, the Government of India has introduced the Centrally Sponsored Scheme for the development of small and medium towns during Sixth Five Year Plan and allocated a sum of Rs. 96 crore. Also, it had laid down guidelines for obtaining assistance under the scheme and the following are some of the salient points of these guidelines.

##### *Eligibility*

- (a) Its population should be less than one lakh;
- (b) Preference be given for district headquarters and other important growth centres;
- (c) It should be in a position to check effectively the migration of population from its hinterland; and

- (d) It should meet the marketing, educational, employment, and other recreational needs of its rural hinterland.

#### *Preparation of Project Report*

The project report should be prepared for overall development of the towns. The components eligible for central assistance on matching contribution basis and other components to be developed by the finances rendered exclusively by state government are to be listed out separately.

The components eligible for central assistance on matching contribution are:

- (a) Land acquisition and development for sites and services;
- (b) Improvement to circulation pattern;
- (c) Providing markets and mandis and industrial sheds; and
- (d) Low cost sanitation.

The components to be tackled exclusively by state government are augmentation of water supply, providing of underground drainage system, removal of slums, providing of medical and recreational facilities, etc.

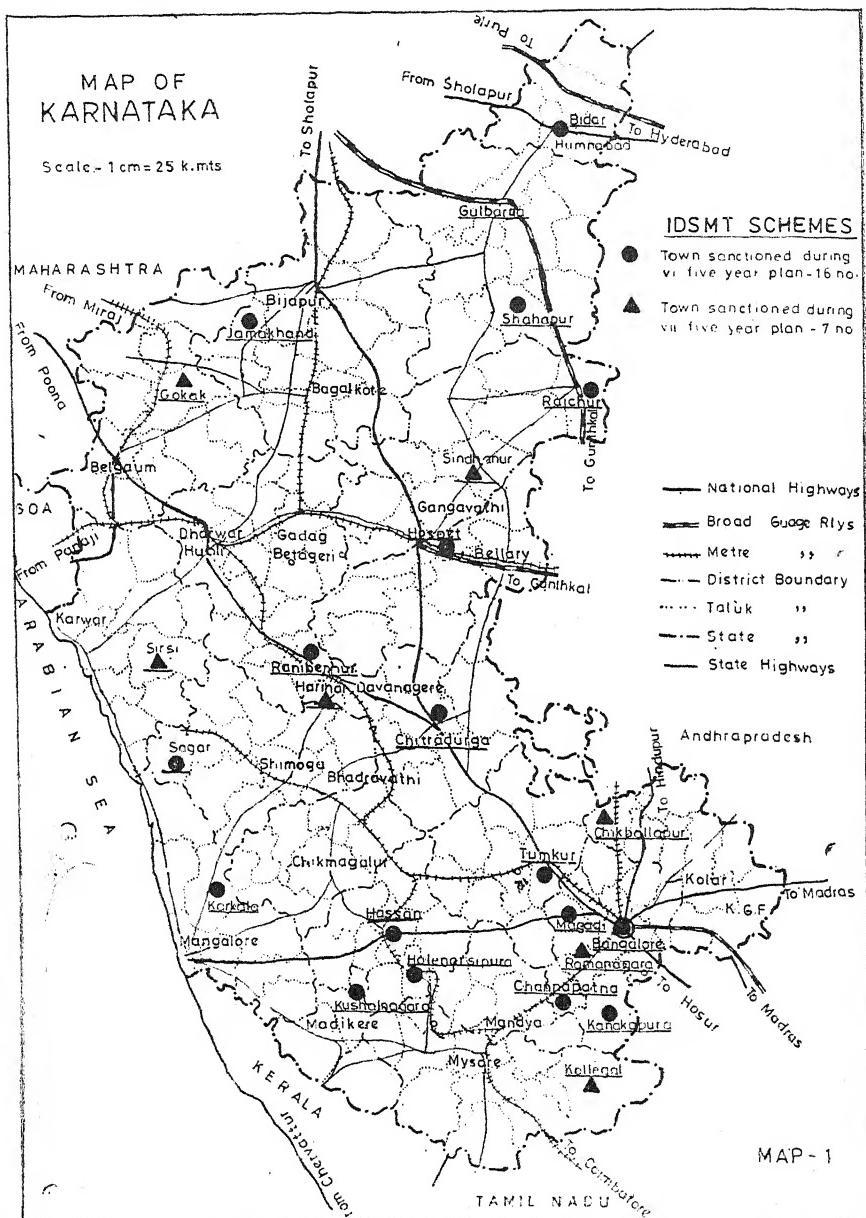
#### *Method of Financing and Coordination*

The maximum amount available for development for each town is Rs. 80 lakh, out of which 50 per cent will be given by central government in the form of loan assistance and the remaining 50 per cent is to be contributed by the state government as its matching contribution. This limit has been raised to Rs. 92 lakh during the Seventh Plan period apart from earmarking another Rs. 12 lakh towards Low Cost Sanitation programme. The work will be executed by respective local bodies and is being monitored by the committees constituted at state level and district level of respective towns involving all the departments concerned. The Directorate of Municipal Administration or the Department of Town Planning will be the Convener for these committees.

#### **PROJECTS SANCTIONED UNDER INTEGRATED DEVELOPMENT OF SMALL AND MEDIUM TOWNS IN KARNATAKA**

#### *Sixth Five Year Plan*

The state of Karnataka is one of the states which got the benefit of this Centrally Sponsored Scheme. During the Sixth Plan, sanction was accorded by the Government of India for 16 towns at a total cost of Rs. 13.97 crore (see Map 1). The details of towns selected and schemes included by component-wise are given in Table 4.



As could be seen from the above Table, a sum of Rs. 754.81 lakh is sanctioned for development of 19,524 residential sites. A sum of Rs. 104.85 lakh is earmarked for construction of 1,922 shops, Rs. 278.935 lakh is earmarked for low cost sanitation which would help for conversion of 11,937 existing dry latrines and providing of 12,113 new latrines. Apart from these major components, Rs. 104.85 lakh

TABLE 4 DETAILS OF INTEGRATED DEVELOPMENT OF SMALL AND MEDIUM TOWNS SCHEME SANCTIONED DURING SIXTH PLAN

Sl. No.	Name of the cities and towns	Componentwise estimated cost				Additional scheme; traffic & transpor- tation; mandis & markets & indus- trial sheds	Low Cost Sanita- tion	Grand total estimat- ed cost
		Land acqui- sition	Traffic and and ports	Mandi- s	Total esti- mated cost			
		Develop- ment	Trans- porta- tion	Mar- kets	cost			
1.	Channapatna	43.40	5.27	0.71	49.38	16.02	34.031	99.431
2.	Chitradurga	26.20	—	4.00	30.20	44.00	34.445	108.645
3.	Hassan	48.40	3.50	30.69	82.59	—	—	82.590
4.	Hospet	20.07	5.14	9.63	34.84	20.00	—	54.840
5.	Holenarsipur	51.10	14.05	6.06	71.21	7.00	—	78.210
6.	Humnabad	36.70	10.40	4.14	51.24	—	43.663	94.903
7.	Jamakhandi	61.50	5.20	13.26	79.96	—	—	79.960
8.	Kanakapura	45.48	4.50	8.00	57.98	10.02	26.233	94.233
9.	Karkala	50.50	9.10	4.23	63.83	—	—	63.830
10.	Kushalnagar	59.40	7.95	12.47	79.82	—	—	79.820
11.	Magadi	30.63	9.73	6.64	47.00	—	28.235	75.235
12.	Raichur	44.50	—	6.45	50.95	23.60	—	74.550
13.	Ranebennur	39.50	13.00	24.80	77.70	—	—	77.700
14.	Sagar	46.60	11.42	3.16	61.18	—	36.432	97.612
15.	Shahapur	77.00	—	3.00	80.00	—	37.012	117.012
16.	Tumkur	73.43	5.59	0.80	79.82	—	38.884	118.704
<b>TOTAL</b>		<b>754.81</b>	<b>104.85</b>	<b>138.04</b>	<b>997.70</b>	<b>120.64</b>	<b>278.935</b>	<b>1397.275</b>

is reserved for improving 34.64 km. of existing roads. When these schemes are implemented it will substantially benefit not only the population living in these towns but also those living in surrounding villages and thereby reduce the migration of population to the major cities.

#### *Schemes Under Seventh Plan Period*

The Government of India continued the scheme during the Seventh plan also. The state government with the assistance of Town Planning Department had prepared project reports for 12 new towns and forwarded to the Government of India for sanction. But, the Government of India has sanctioned only 7 towns and the details of which are given in Table 5.

TABLE 5 DETAILS OF INTEGRATED DEVELOPMENT OF SMALL AND MEDIUM TOWNS SCHEME SANCTIONED DURING SEVENTH PLAN

(Rs. in lakhs)

Sl. No.	Name of the towns	Componentwise estimated cost				
		Land acquisi- tion & deve- lopment	Traffic & Trans- portation	Mandis/ Markets	For staff	Total estimated cost
1.	Chikballapur	57.63	3.38	12.73	1.50	75.24
2.	Gokak	29.21	10.34	3.80	0.50	43.85
3.	Harihar	70.08	7.95	—	0.65	79.33
4.	Kollegal	49.10	0.68	13.32	1.50	78.56
				+13.96		
5.	Ramanagaram	49.00	3.99	—	0.50	53.99
6.	Sirsi	43.42	5.63	25.30	—	75.85
7.	Sindhanur	51.51	3.79	21.98	0.50	43.85
	<b>TOTAL</b>	<b>349.95</b>	<b>34.76</b>	<b>91.09</b>	<b>4.65</b>	<b>485.60</b>

The total estimated cost of these schemes will be about Rs. 485.60 lakh. When the schemes are implemented, there will be additional benefit of 5,532 sites, 1,175 shops and 29 industrial sheds apart from improving the surface condition of about 13.59 km. of existing roads.

#### PROGRESS OF THE WORK

The Government of India has released a total of Rs. 345.254 lakh for the schemes undertaken during the Sixth Five Year Plan. Equal amount has been released by the state government as its matching contribution to the respective local bodies. The total amount upto the end of February 1986, both under central and state government, accounted for Rs. 737.618 lakh. Out of this amount, a sum of Rs. 392.93 lakh has only been spent. The progress is thus only to an extent of 28 per cent in term of financial sanction for the last five to six years (Table 6).

Tables 6 and 7 shows that the progress is quite considerable in case of road improvements and construction of industrial sheds. This is mainly due to the fact that these schemes were taken up on the land owned by the concerned municipalities or on the land where it was readily available. The progress is not much in case of developing sites as it involved land acquisition. The land acquisition process is too cumbersome and it will lead to litigation as the owners do not generally like to give away their land. Unless some simplified

TABLE 6 FINANCIAL PROGRESS OF ALL THE 16 TOWNS/CITIES  
SANCTIONED DURING SIXTH PLAN UP TO THE END OF  
31ST DECEMBER 1985

					(Rs. in lakh)
Total estimated cost of all the projects of 16 towns/cities	Amount released so far	Percentage of total amount released	Amount spent so far upto 31-10-85	Percentage of amount spent with reference to total sanctioned amount	
1,397.285	737.618	52.78	392.93	28.12	

TABLE 7 PHYSICAL PROGRESS OF ALL THE 16 TOWNS/CITIES  
SANCTIONED DURING SIXTH PLAN UP TO THE END OF  
31ST DECEMBER 1985

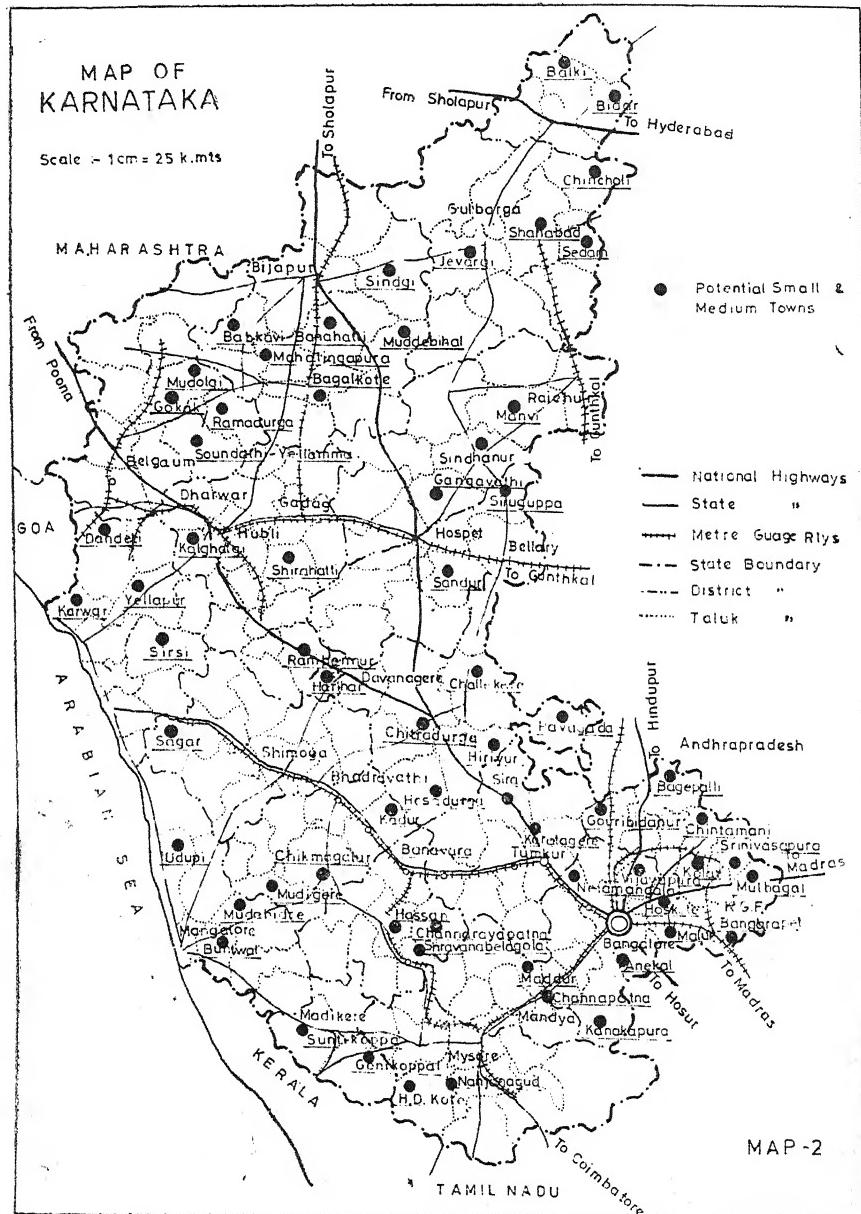
Details of major schemes proposed and progress achieved												
Land acquisition and development				Traffic and Transportation				Mandis and Markets			Industrial sheds	
Target (No. of eve-sites)	Achi-ment	%	Target length (road in km.)	Achi-ment	%	Target (No. of ever-shops)	Achi-ment	%	Target (No. of eve-types)	Achi-ment	%	
19524	4120	21.10	37.53	23.18	61.76	1892	388	20.50	52	30	57.69	

procedure is evolved to take possession of the land required for the schemes, much progress cannot be achieved within the reasonable period.

#### POTENTIALITIES TO EXTEND THE INTEGRATED DEVELOPMENT OF SMALL AND MEDIUM TOWNS PROGRAMMES TO OTHER TOWNS IN THE STATE

As could be observed from Table 3, there are 233 small and medium towns (excluding Class I Cities) in the state, which accommodate 41.34 per cent of the total urban population. Out of these 233 towns, 61 towns are observed to be growing relatively fast and have registered a growth rate of 40 per cent and above during 1971-1981. Fifty one of the above towns are linked with major communication network. It is also observed that fifteen of these towns are in the irrigated tracts of one or the other major/medium irrigation projects of the State. Twentyeight towns are located either on the banks of the rivers or in

close proximity of a major river, which is a definite advantage (see Map 2)



Thus these towns have the necessary potential to act as growth centres in serving the respective hinterland. If these towns are given a boost, they have the capability to divert the present trend of

migration towards large cities. Out of the above 61 towns, only 7 towns are now covered under the Integrated Development of Small and Medium Towns programme. Thus there is vast scope and necessity for bringing more towns under the Integrated Development of Small & Medium Towns programme. Unless this is done, the intended purpose of either halting or reducing the migration towards large cities cannot be achieved.

#### CONCLUSION

(a) The object of the scheme is laudable but the number of towns and percentage of population covered under the scheme are very meagre and cannot make a dent on even distribution of urban population and to have a balanced development and desirable settlement pattern.

(b) Out of 250 towns in Karnataka, except 17 Class I Cities, rest of them do not have necessary infrastructural facilities to influence the migration pattern of the population. This requires to improve the infrastructural facilities of these urban centres to enable them to attract the future migration of population from the rural hinterland which otherwise would have migrated to metropolitan and other big cities.

(c) It is a known fact that unless the economic base of the town is improved and its employment potentialities are increased, it will not be in a position to absorb the migration. Hence, it requires investment towards improving the economic base and employment potentialities in these towns.

(d) The components eligible for central assistance must cover not only the improvements to roads, development of sites and shopping centre, etc., but also water supply, underground drainage, health and education facilities without which the town will not provide a favourable situation for the flow of investment and consequential growth.

(e) The selection of the towns for this kind of integrated development should also be broad based keeping in view, the object of evolving a desirable settlement pattern, the balanced development of all the regions and also to achieve the lowest per capita cost of urbanisation and functional relationship of the settlement.

(f) The ceiling of Rs. 1 crore per town is to be increased in view of the above points as this meagre amount of Rs. 1 crore cannot make a desirable impact on the levels of infrastructure as well as on its growth.

(g) Land acquisition has become a great hurdle in implementation of the scheme. Land acquisition procedures are too cumbersome and lengthy. It should be made simpler by amending the Land Acquisition

Act so as to enable the implementing agency to obtain the land notified in the quickest possible time. Also the land notified for Integrated Development of Small and Medium Towns scheme should not be made as liable for litigation. It should be considered as one of the essential services required for public use.

(h) The concerned municipalities should dispose of the sites and shops formed under this scheme slightly at higher price than actually spent. So that it can generate more revenue to continue the developmental schemes.

(i) The amount realised from the above scheme should not be diverted for the welfare schemes and to pay the wages of the municipal employees and it should be used as a 'Seed Capital' for taking up of remunerative schemes like developing further sites, shops, etc., to increase the total revenue of the municipality; and

(j) The Chief Executive Officers of the concerned municipalities should be trained so as to carryout the work effectively and to adhere to the terms and conditions laid down in the scheme. □

# *Development of Secondary Cities in Kerala: An Overview*

MATHEW VARGHESE

KERALA IS characterised by diversified physical features. The settlement pattern of the state is unique with dwellings made in individual plots and scattered all over the habitable areas. The population is distributed more or less evenly over the entire area of the state. The average density is 664 persons per sq. km. varying from about 900 persons per sq. km. in the coastal plain to 200 persons per sq. km. in the high lands; this pattern being common to both urban and rural areas.

In Kerala, the physical phenomenon of a town is thinning out into homesteads of the village, and densifying as one reaches a rural market or node, and thereafter this phenomenon repeats. These nodes at regular intervals of 10 to 12 km. along traffic corridors are within easy access to the rural inhabitants. These nodes comprise non-residential activities which are urban in character. They link up rural and urban settlements socially, thereby resulting in rural urban continuum, which is unique in this state.

## URBANISATION

Urban population of the state increased from 38 lakh to 48 lakh during the period 1971-81. There are only three cities each having about 45 lakh population. As per 1971 census, there were 88 towns in the state (3 Corporations, 27 Municipal towns, one cantonment, one township and 56 census towns). But in 1981, 32 towns have been declassified and 50 towns have been newly added, thus increasing the total number of towns to 106 (3 Corporations, 42 municipal towns, 2 townships, one cantonment and 58 census towns).

In spite of high levels of literacy and lack of opportunities in the agricultural sector, Kerala is under-urbanised having only 18.78 per cent of its population classified as urban as against 23.73 per cent for the country as a whole. The despersed settlement pattern may be

one of the reasons for the relatively low percentage of urban component in the total population.

The number of urban agglomerations and their population distribution by size class is given in Table 1. It shows that the percentage of population in Class I towns has increased. As regards the number of towns in each category, there is a dominant tendency of more growth in the case of medium towns.

According to 1981 census, six class I cities hold 50 per cent of the total urban population and class II cities hold 10 per cent of the population. There are 49 class III towns holding 32 per cent of the urban population and 17 class IV towns holding 10 per cent of the total urban population. Thus except in 3 cities and 3 towns, the urban population is distributed in 100 small and medium towns. This indicates a well balanced scattered settlement pattern with the small and medium towns playing an important role in the economic growth of the state.

Regarding the distribution of towns, there is heavy concentration of towns and cities along the coastal belt, while there are very few settlements in the midlands and high lands. (Fig. 1). Urban corridor formation along the road and rail arteries in the coastal belt is gaining momentum.

#### ROLE OF SMALL AND MEDIUM TOWNS

Today small and medium towns are lacking in basic urban services like water supply, sewerage and paved roads. Most of them face the problem of economic stagnation. Therefore it is logical to stimulate their growth by augmentation of infrastructure, to enable them to provide desirable levels of urban services to their population as also to receive some share of economic growth which would strengthen their economic base and make them self-reliant. A favourable factor is that a substantial percentage of land within the municipal limits of such towns is either undeveloped or lying unused; and with the basic infrastructure becoming available can meet the immediate needs of expansion with comparatively less input.

With the above background, the problems faced by the small and medium towns in the state are dealt in the first part of this paper. In the second part, the profile of a typical medium town Changanacherry, which is one among the towns included in the IDSMT scheme during the Sixth Plan period is presented.

#### DEVELOPMENT PROBLEMS OF SMALL AND MEDIUM TOWNS

Small and medium towns are not only small in the demographic sense, they are small in area, the entire scale of space and buildings are

TABLE I NUMBER OF URBAN AGGLOMERATIONS AND TOWNS IN KERALA AND THEIR POPULATION DISTRIBUTION BY SIZE CLASS 1951-1981

Sl. No.	Category size class	1951		1961		1971		1981	
		Population	Percentage	Population	Percentage	Population	Percentage	Population	Percentage
<b>1. Cities</b>									
	(100,000 and above)	6,28001 (3)	34.39 (4)	8,77,315 (4)	34.35 (5)	14,67,046 (5)	42.32 (8)	2,534,860 (8)	53.13
2.	Medium towns (20,000—99,999)	5,29538 (17)	29.01 (36)	11,14806 (36)	43.65 (47)	15,65,121 (47)	45.15 (56)	1,974,160 (56)	41.38
3.	Small towns (5,000—19,999)	6,03706 (56)	33.07 (51)	55,9161 (51)	21.89 (34)	42,5150 (34)	12.27 (21)	26,1909 (21)	5.49
4.	Remaining urban area (less than 5,000)	62,587 (18)	3.43 (1)	2,859 (1)	0.11 (2)	9,132 (2)	0.26 —	— —	— —
<b>TOTAL urban population</b>		<b>18,25,332</b> <b>(94)</b>	<b>100.00</b>	<b>25,54141</b> <b>(92)</b>	<b>100.00</b>	<b>34,66,449</b> <b>(88)</b>	<b>100.00</b>	<b>4,779,929</b> <b>(85)</b>	<b>100.00</b>

SOURCE : *Census of India, 1981.*

NOTE : Figures in brackets indicate the number of towns.

### legend



FIG. 1

also small. For Class II towns area varies from 11 to 22 sq. km., for class III towns the variation being 6 to 30 sq. km. High rise buildings are concentrated only in the central areas of the towns along major arteries. Most of these towns have developed either as trading or marketing centres or as administrative centres.

#### *Land Use*

The non-residential activities accommodated in small and medium towns are services like banks, shopping centres, markets, service industries, institutions of health and education and some government and quasi-government offices. All of them are concentrated along the main arteries in the central area of the town. This development is only of a single plot depth and constitutes about 15 to 20 per cent of the total area of the town. Rest of the area is covered by scattered low density residential-cum-agricultural development. In such a settlement pattern the vacant lands are scattered all over the town and there is no large chunk of vacant land. Individual plots are too small for practical implementation of large land assembly programme for development works, but they are large enough to make densities too low for economical infrastructure provision.

In recent years, particularly after the Gulf influx, the land values have soared up and the land value varies from Rs. 8,000 to Rs. 12,000 per cent (about 40 sq. m.) in the central area of the town and the land value decreases to a range of Rs. 4,000 to Rs. 8,000 towards the fringes. Paddy fields cost comparatively less. So there is large scale conversion of paddy fields for urban areas. These defy all attempts at land use and development control and at times result in grave ecological consequences.

#### *Transportation*

Most of these towns lack efficient transport system. Congestion and traffic jams are rampant. The road width varies from 6 to 8 metres only. Even the National Highway in certain towns has only an average width of 10 metres. Junctions are ill designed, and foot path is almost absent in 95 per cent of the towns.

Due to the strong interaction of the towns with the rural hinterlands, on an average 100 to 150 buses are operating from every town to the hinterland. Majority of the towns do not have a bus stand or truck terminal. As a result these buses are parked along the roads. Also the loading and unloading of commodities are done right on the roadway obstructing the normal traffic flow.

It is observed that the number of two wheelers like scooters, motor cycles and auto rickshaws recorded an increase of 20-25 per cent per year during 1981-86. This rapid increase in the number of vehicles not

supported by adequate improvement to roads pace has caused congestion, haphazard pedestrian movement resulting in high rates of minor and fatal accidents. All these have added to the already congested central areas of the town.

### *Municipal Services*

The position in respect of availability of municipal services is equally depressing, only about 20 per cent of the towns have protected water supply. In respect of sewerage, none of these towns has underground sewerage system. None of the towns has an efficient garbage collection and disposal system also. The standards of open spaces is distressingly low—it is only 0.50 acre per 1000 population against the minimum desirable standard of 1.5 to 2 acres per 1000 population. All of the towns are served well in respect of health and educational facilities.

### *Slums and Squatters*

Recently due to the sky rocketting of land value, squatting on marginal public land which was, until a decade ago, a rare phenomenon in Kerala towns, is also on the increase. These slums have come up on the railway puramboke, road puramboke or canal puramboke. The structural condition of huts in these areas are not as bad as those in the neighbouring states. But they lack in infrastructure like protected water supply, drainage, latrine and street lights.

### *Urban Administration and Resource*

The responsibility of urban planning administration and finance is shared by a number of agencies in the state. Except for the medium sized towns of Palghat and Trichur, where development authorities have been constituted, the implementation of urban development projects in small and medium towns is the responsibility of the local bodies.

The meagre resources of local bodies coupled with the inability to mobilise resources for developmental works and shortage of technical personnel are major hurdles in the case of small and medium towns. The provision of funds for urban development in the state budget are meagre and a major share of the provision is claimed by the three city corporations of Cochin, Calicut and Trivandrum.

### *Legal Problems*

Unfortunately the problems are being further compounded by unauthorised construction and encroachments on public lands. Taking advantage of the weakness of urban institutions the illegal builders have succeeded to obtain stay orders from courts, get time, and then plead that illegality is old and the only practical way is to regularise

it. More often than not, the play of regularisation has succeeded and this has encouraged more and more people to adopt the same technique and get away with huge illegal benefits.

Lastly the settlement pattern itself has contributed to the economic stagnation of small and medium towns. The well developed linkages have helped in the concentration of activities in a few centres by making it easier for commuters to travel daily to work in the larger towns and cities, instead of acting as catalysts for the development of small and medium towns.

#### *Ongoing Programmes—IDSMT*

During the Sixth Five Year Plan period, nine towns were identified in Kerala under the programme of Integrated Development of Small and Medium Towns. The name of the towns and the financial progress achieved till the end of the plan period is indicated in Table 2.

TABLE 2 STATEMENT SHOWING FINANCIAL ASSISTANCE SANCTIONED AND EXPENDITURE INCURRED TO 9 TOWNS DURING THE SIXTH PLAN PERIOD

<i>Name of Town</i>	<i>Project cost approved</i>	<i>Amount sanctioned in instalments</i>		<i>Total amount (Grant + loan)</i>	<i>Expenditure till the end of VI Plan</i>
		<i>Central loan</i>	<i>State Grant</i>		
1. Guruvayoor	98.92	35.00	35.00	70.00	48.51
2. Kottaym	89.68	34.40	34.40	68.80	49.00
3. Trichur	113.58	35.00	35.00	70.00	78.82
4. Kayamkulam	73.28	9.40	9.40	18.80	13.27
5. Tellicherry	67.79	22.50	22.50	45.00	35.79
6. Tirur	80.68	35.60	35.60	71.20	80.30
7. Changancherry	88.86	36.50	36.50	73.00	42.31
8. Badagara	108.05	30.00	30.00	60.00	37.21
9. Malappuram	107.53	35.00	35.00	70.00	58.60
<b>TOTAL</b>		<b>273.40</b>	<b>273.40</b>	<b>546.80</b>	<b>443.84</b>

SOURCE : Department of Town Planning.

The table clearly reflects that except in Kayamkulam, the implementation of the projects in all other towns is progressing well. The delay at Kayamkulam is due to land acquisition problems. A review by the TCPO at the end of the plan period reveals that the progress of the scheme in the state has been quite satisfactory.

Three more towns, Manjeri, Palghat and Thodupuzha have been included in the IDSMT Scheme during the Seventh Plan period.

The main lacuna of IDSMT Projects as are being presently implemented is that these have an isolated and segregated approach where individual towns are being improved in a limited manner.

#### **PROFILE OF A MEDIUM TOWN—CHANGANACHERRY**

Changanacherry is one of the fast growing urban centres in the district of Kottayam. It is situated on the broad gauge railway line. It has got strong economic ties with the agriculturally fertile Kuttanad area of the state. The town is the collection and distribution centre for the agricultural products of Kuttanad as well as the high ranges. It is an important educational and service centre.

Out of the municipal area measuring 1350 hectares, 858 hectares are developed and it supports a population of 51,932 as per 1981 census. The population is estimated to be one lakh by 2001 A.D.

The growth rate of population was 14.57 per cent during 1961-71 and it reduced to 6.98 per cent during 1971-81. Inadequate infrastructural facilities and less economic opportunities may be the main reasons for the decline in the growth rate.

#### *Major Problems of the Town*

A land use survey conducted by the Town planning department reveals that more than 75 per cent of the area is under residential use, which is due to the low density residential development. Therefore quite naturally the space for other uses are much below the desirable standards.

#### *Transportation*

The major traffic arteries in the town are the Main Central road, Alleppey road, Vazhoor road and Kaviyoor road. The average width of these roads varies from 8 to 10 metres only. The feeder roads are very narrow having only 4 to 6 m. width. During rainy season these road function as drainage channels as they follow the lower contours than the building plots. There is no sufficient space in the existing bus stand. Organised parking spaces for lorries and cars are also absent in the town.

#### *Municipal Services*

There is no protected water supply in the town. Underground drainage system is also absent. The municipal wastes are dumped in the manure depot at Fathimapuram which makes the hygienic condition of the locality quite unsatisfactory. Only 1.4 per cent of the total

developed land comes under recreational use.

The town is inadequately served in respect of town hall, library, organised market. Regarding health and education, the town is well served; the literacy rate being 80 per cent in 1981.

Considering the existing problems and the trend of development, the Development plan sanctioned by the government envisages a judicious use of land, to strengthen the existing level of services. This would need an outlay of Rupees 19 crore under the existing cost structure.

Due to the weak resource position of the municipality, the progress of implementation of the scheme is very slow. Stay orders issued for the High Court and inadequate technical personnels have also retarded the progress.

#### *Projects under the IDSMT Scheme*

##### *Schemes for Central Assistance on Matching Basis*

(a) *Residential Development at Pothodu*: The original proposal was to acquire 3.40 hectares of land in order to meet the housing need particularly of the weaker section. The scheme has already been sanctioned by the Government for Rs. 26.35 lakh. About 2.57 hectare of land has already been purchased by the municipality for Rs. 1.40 lakh and development work carried out at a cost of Rs. 11.80 lakh. Now it has been proposed to acquire and develop about 2.65 hectare of land lying contiguous to the above area for residential purpose and a revised estimate for Rs. 41.14 lakh has been submitted for sanction.

(b) *Construction of Pothodu Road*: This road once completed will provide direct linkage to the Alleppey Changanacherry road from the vegetable market and housing colony, thus helping in the easy movement of commodities from the hinterlands to the market. The road is to be formed with 12 metres width for a length of 1.30 kms. An amount of 6 lakh has been sanctioned for this project. The amount spent so far is Rs. 7.75 lakh thus exceeding the sanctioned amount. The scheme is in progress.

(c) *10 m. Wide Road Around Poovakkattuchirakulam*: This project has been completed and the expenditure incurred is Rs. 5.56 lakh against the sanctioned amount of Rs. 5 lakh. Now this road provides a direct link from Poovakkattuchirakulam to the main road. The Poovakkattuchirakulam and its surroundings are being developed as an important recreational centre of the town.

(d) *Development of Vegetable Market Yard, Cart Stand, Godown, etc.*: Due to the non-availability of an organised market the vegetables coming from the vast agricultural hinterlands were dumped by the side of roads and sold right on the roadway. This created problems to the movement of vehicles and pedestreians. These areas were prone

to frequent accidents also. There was neither facility to park the 10 to 12 bullock carts, in which the vegetables are brought to the town daily nor any storage facility for the commodities.

Considering these problems improvement work in the existing market was completed at an expenditure of Rs. 1.20 lakh. Godowns and a cart stand were constructed near the market.

(e) *Bus Stand:* About 80-85 buses are operating from the town to the hinterlands. At a time 40 to 45 buses have to be accommodated in the bus stand. In the present bus stand there is provision for the parking of only 20 buses and there is no facility for idle parking. There is no possibility for expanding the existing bus stand. Therefore a new bus stand is proposed beside the Main Central Road. An amount of Rupees 25 lakh has been sanctioned for the project. Already 0.78 hectares of land has been acquired.

#### *Components Under the State Plan Scheme*

(a) *Commercial Development at Kavala Junction:* Development of this commercial centre in the central area of the town will check traffic congestion and haphazard vehicular parking along the main roads. This involves an expenditure of Rs. 65.51 lakh and the expenditure incurred is Rs. 16 lakh.

(b) *Construction of Drain Around the Existing Fish Market:* At present there is no facility to dispose of the waste water that collects around the fish stalls. A well designed drain is proposed at an expenditure of Rs. 1.80 lakh.

(c) *Development of Recreation Centre at Poovakkattuchirakulam:* Once developed, this will be a major recreational centre of the town. This will incur an expenditure of Rs. 29 lakh.

In addition to this, construction works are progressing for a library building and working women's hostel.

The implementation of IDSMT scheme has been quite satisfactory in the town. A substantial amount of finance has been made available for the development projects. This would not have been the situation under normal conditions.

All the projects being undertaken are not likely to yield sufficient returns. This will be an added financial burden to the local body.

The main lacuna of the IDSMT projects is that they largely turn out to be land development schemes and not integrated schemes covering deficiencies in civic infrastructure and maintenance.

Due to these deficiencies the IDSMT scheme has not been able to make any significant impact on the urban development programme of the state.

### CONCLUSION

The problems of our small and medium towns are not as formidable as those of other states. But they also warrant immediate attention.

In our towns economic problems loom large, environmental problems such as congestion and pollution are becoming increasingly acute. Large amount of resources will have to be mobilized to meet these challenges and provide a decent physical and social environment in the near future.

At the state level it is necessary to prepare a physical development plan as a counterpart to the economic development plan. This plan should contain guiding principles for a more balanced development.

The blue print for the future must involve an urban land policy which provides social justice and treats land as a resource, a new framework for urban institutions which answers the current and emerging requirements of urban areas and a new human settlement technology which helps the growth of happy and healthy communities. This demands, despite the limitation, a new environment of reform and reorganisation. □

## *IDSMT : A Case Study of Kareem Nagar Town\**

A. MALLA REDDY

**I**N INDEPENDENT India, urbanisation has created several disparities. According to the 1971 census, almost 50 per cent of the urban population lived in only 151 cities of one lakh and more in size, out of a total of 3,119 urban centres. But even this does not give a true picture of the extent of Metropolitan dominance of the urban population since more than half this figures or over 25 per cent of all the urban dwellers in India lived in only nine cities of more than a million people.

Metropolitan cities are areas of intensive economic development and they have in turn become an intensive area of settlement, resulting in urban crisis.<sup>1</sup> These cities are still growing. The urban planners are facing serious problems which need immediate attention. Some of the problems are imbalanced urban growth, disorder in the urban centres, creation of unhealthy environment, growth of slums and strain on the already inadequate services.

The city governments are finding it difficult to cope with the pressures of rapid growth of population and the sprawl of the city beyond the approved city limits<sup>2</sup>. To add to this, paucity of funds has contributed to the decline in the standard of former.

It has been estimated that the rural area will not be able to support more than 500 million people at the present standard of living. This means that the real per capita income will be lower than at present, unless the 'surplus' 167 million people who would be in the countryside,

\*Views expressed in the Article are personal and do not reflect those of the office/department associated with.

<sup>1</sup>N.D. Rajadyaksha, "Implementation of IUDP Ratnagiri—Some Suggestions", paper submitted in *Workshop on Integrated Development of Small and Medium Towns*, held at Pune, 1981.

<sup>2</sup>P.G. Khar, *Governing the Cities to Prepare them for 2001*, Bombay, All India Institute of Local Self-Government, 1985, p. 1.

move instead to urban settlements.<sup>3</sup> The Government of India since the Fifth Five Year Plan has seriously thought of meeting this situation which is turning out to be much worse. Till recently, the public intervention for planned development in India's urban sector has been, by and large, confined to metropolitan centres and other large size towns. But the small and medium towns were left to develop and grow rather spontaneously on their own.<sup>4</sup> As a sequel to the neglect, most of the medium sized urban areas are devoid of minimum basic infrastructure, i.e., water supply, sanitation, housing, educational, medical, health, and traffic and transportation facilities considered vital for economic growth of the settlements.<sup>5</sup> It has also been found that sectoral approach is not adequate for overall development of an area nor for the percolation of the benefits equitably among the local population.<sup>6</sup> Integrated planning as an approach for development (economic, social and environmental) is all the more relevant for the planning of human settlements whether rural or urban.<sup>7</sup>

It is perhaps because of these reasons that the Integrated Urban Development Programme (IUDP) was introduced in the Fifth Five Year Plan to make efforts to solve the uncontrolled expansion of Metropolitan cities. This effort was confined to very large cities (even the metropolitan cities during 1974-79) and a sum of Rs. 113 crore was spent on the integrated development of 31 cities without having any doubt on achievements of the stipulated objectives.<sup>8</sup> But soon it was realised that the development of Metropolitan centres in isolation will not help and they have realised that the problem should be tackled at other levels also. In the Sixth Plan they have made a shift in the policy instead of developing the Metropolitan centres they have opted to develop selected small and medium towns throughout the country, so that the growth of big cities could be arrested to some extent by providing employment and other facilities at the town level. The thrust of the urbanisation policy during the

<sup>3</sup>William J. Cousins, "Peoples Participation in the Development of Small and Medium Size Towns". This paper was prepared for the Quaker Seminar on *Small and Medium Size Towns in Regional Development* held at Kathmandu, Nepal, 1978.

<sup>4</sup>R.K. Wishwakarma and Gangadhar Jha, *Integrated Development of Small and Medium Towns: Problems and Strategic Policy Issues*, New Delhi, Centre for Urban Studies, IIPA, 1983, p. 1.

<sup>5</sup>N. Venugopal Reddy, "IDSMT Schemes in Andhra Pradesh—A Review", paper submitted at the workshop on *IDSMT in Southern States—An Evaluation*, organised by RCUES, OU, Hyderabad, 1985.

<sup>6</sup>Government of India, Planning Commission, *Draft Sixth Five Year Plan 1978-83*, (Revised) 1979, p. 303.

<sup>7</sup>Gangadhar Jha, "Integrated Development of Small and Medium Towns: Some Conceptual Issues" in R.K. Wishwakarma and Gangadhar Jha, *op. cit.*, pp. 104-17.

<sup>8</sup>Ibid., 113.

next decade would be to give greater emphasis to the provision of adequate infrastructural and other facilities to the towns which have been neglected hitherto in this respect,<sup>9</sup> to slow down and if possible reverse the rate of growth of metropolitan cities and increase the rate of growth of the small and medium towns.

Integrated Development Programme is a planned effort to solve the current urbanisation problems. The meaning of Integration is to complete (imperfect thing) by addition of parts or combine (parts) into a whole.<sup>10</sup> Integration means adding those components which are missing in the regular development programmes. Integrated development means combining all the relevant sectors for fulfilling the development objectives. When it is applied to planning and development it suggests to provide crucial missing links.<sup>11</sup> The Integration would imply that a total infrastructure base both economic and social for the town and its hinterland.

Specific objectives of the schemes were to increase the rate of growth of small and medium towns, to enable them to act as growth and service centres for the hinterland and reduce the rate of migration to big cities and to encourage the development activities in small and medium towns by increased investments on the provision of infrastructure and the essential facilities. Development of the Small Towns is not only to prevent their decline but to enable them to serve the rural economy and act as catchment areas for the rural population.<sup>12</sup>

#### BROAD OBJECTIVES OF THE IDSMT PROGRAMME

1. Reducing the rate of migration to the metropolitan centre by the developing towns to act as counter magnets or alternatives to the metropolitan centres;
2. to act as service centre to the hinterland of the towns and to provide additional economic activity in the town;
3. to generate housing, and employment opportunities to the urban poor;
4. to provide additional infrastructure in the towns to facilitate the citizens; and
5. to generate additional income sources to the local body to enable it to provide better civic services.

In the absence of the integrated development programme a town may develop on its own. These developments may lack several

<sup>9</sup>Government of India, Planning Commission, *Sixth Five Year Plan 1980-85*, p. 395.

<sup>10</sup>The Concise Oxford Disctionary of Current English, New Delhi, Sixth Edition, Oxford University Press, 1976, p. 560.

<sup>11</sup>Gangadhar Jha, *op. cit.*

<sup>12</sup>Centrally sponsored scheme for IDSMT—Guidelines, Lr. No. K.

necessary components for a healthy environment in a town. People may have to depend on the large urban centres for all the requirements such as employment, economic, medical, health, education needs in the daily life. Integrated development is a deliberate effort to provide all the essential requirement in a town. Presently these are lacking at a required level in the lower orders of urban settlements. It is with this reason people indiscriminately are migrating to the bigger cities where the scope of these services are of higher order and can sustain them for a longer time.

#### SPONSORING AGENCIES

The Government of India is sponsoring the Integrated Development of Small and Medium Town programme. It has restricted its assistance to three components : (i) Site and Services, (ii) Mandies and Markets, and (iii) Traffic and Transportation. The Town and Country Planning Department, Ministry of Urban Development, Government of India is supervising, monitoring and evaluating the programme. The State Government is coordinating at the state level. The stipulated cost for development of each Town is Rs. one crore, out of which the Government of India is financing Rs. 40 lakh for each selected town, the state government has to finance Rs. 40 lakh for each town, and the remaining amount should be financed from local body's resources. The Central and state share are released to the municipality which is the beneficiary.

The State Government through its Director of Town and Country Planning Department selects the towns under the programme. The project reports are prepared as per the proforma laid down, by the Director of Town Planning Department in consultation with the municipality. The projects in each town are selected keeping in view the main problems facing in the town.

The project report contains details about the town, number of projects proposed including physical planning and the financial outlay. The proposed income out of the new projects, repayment method, cash flow statements, etc., are also incorporated.

The purpose behind the centrally sponsored components is generation of employment opportunities in small and medium towns, so that the rush to get jobs in big cities is minimised to some extent. The state sector components for which funds are to be found in the State plan mainly aim at improving the physical environment of towns by improving slums, developing parks and other public amenities to make the town a better place to live in.

*Components Eligible for Central Assistance on Matching Basis*

- (i) Land Acquisition and development, Residential schemes will include sites and services with or without core housing.
- (ii) Traffic and Transportation to subserve the shelter and employment projects will include construction of roads and improvements/upgradation of existing roads but will not include purchase of motor vehicles.
- (iii) Development of Mandies/Markets, provision of industrial estates, provision of other services and processing facilities for the benefit of agricultural and rural development in the hinterland.<sup>13</sup>

*Components for which Funds are to be found from State Plans, but which must form part of the Integrated Scheme*

- (iv) Slum Improvement/Upgradation, urban renewal and small scale employment generation activity.
- (v) Low cost schemes of water supply, sewerage, drainage and sanitation.
- (vi) Preventive medical facilities/health care.
- (vii) Parks and play grounds.
- (viii) Assistance for the purpose of making modifications wherever necessary in city master plans to permit mixed land use.

The project reports are sent to the Town and Country Planning organisation, Ministry of Urban Development, Government of India, after scrutiny, the sanctioning letters are sent to the State Governments which in turn communicates to the town concerned. After the approval of the project reports the Government of India releases the First Instalment amount to the State Government, State in turn along with its matching releases to the municipality.

The Central Government share Rs. 40 lakh has to be repaid in instalments in 25 years including a five-year moratorium for the principal amount and the interest should be paid from the date of release of the amount, at the rate prescribed at the times of release of amount. Initially it was 5.5 per cent per annum latter on it was increased to 6.25 per cent, 7 per cent from July 12, 1985 it is fixed at the rate of 8 per cent until revised. The state's share of matching amount Rs. 40 lakh, in some of the states is given as grant, in some of the states it is given as loan. In Andhra Pradesh out of the Rs. 40 lakh, Rs. 20 lakh is given as loan and the remaining Rs. 20 lakh is given as grant so as to meet

<sup>13</sup>Government of India, Ministry of Works and Housing, Centrally sponsored scheme for IDSMT-Guidelines, Lt. No. K 14011/44/79 UD, IIIA, New Delhi dated December 20, 1979.

the non remunerative components under the IDSMT Scheme. The programme shall be implemented by the local body or any other suitable agency as decided by the State Government. The State Government monitors the implementation of the programme through the State Monitoring Committee headed by the Secretary to the Housing and Municipal Administration as its Chairman and the Director of Town planning Department is the member convener, representatives of Finance Department, Revenue Department, Chief Engineer, Public Health Department, Superintendent Engineer, PWD. Municipal Commissioners concerned, are the member of the Committee, issues facing in the implementation of the programme are brought before the committee to seek necessary directions.

During the Sixth Five Year Plan the IDSMT scheme was launched with a provision of Rs. 96 crore for providing central assistance on a matching basis for towns with a population of one lakh and below on the basis of 1971 census figures, since it was not possible to cover all the 3029 eligible Towns conforming to the criteria, a target of covering about 231 Towns was fixed during the Sixth Five Year Plan.<sup>14</sup>

#### ANDHRA PRADESH SCENARIO

The urban population of the State of Andhra Pradesh constitutes about 24 per cent of state population. The states urban population is around 1.25 crore as per 1981 census, 50 per cent of urban segment is concentrated in 20 cities with over one lakh population the rest of them are in 214 small and medium towns. These small and medium towns constitute 91 per cent of the total numbers of urban areas. The rate of growth of urban population in the state have increased from 33.92 per cent in 1961-71 to 48.26 per cent during 1971-81.<sup>15</sup> This increase is occurring in the higher order urban centres

In Andhra Pradesh 18 Towns were selected under the IDSMT programmes by the Government of India, Ministry of Works and Housing as per the uniform criteria laid down for all the states.<sup>16</sup> While selecting the Towns under the IDSMT in this state priority was given to : (a) District Head Quarter Towns, (b) Sub-Divisional Towns, (c) Mandi

<sup>14</sup>Government of India, Ministry of Works and Housing, Town and Country Planning Organisation, *Integrated Development of Small and Medium Towns in Retrospect and Prospect*, New Delhi, 1985.

<sup>15</sup>N. Venugopal Reddy, "IDSMT scheme in A.P.—a Review", paper submitted in *Workshop on IDSMT in Southern States—An Evaluation* organised by RCUES, Osmania University, Hyderabad, 1985, p. 1

<sup>16</sup>Government of India, Ministry of Works and Housing, Lr. No. K 14011/44/79/ UD. IIIA and Volume III. dated June 8, 1980.

Towns, (d) Important Growth Centres, etc.<sup>17</sup>

Following are the names of the Towns selected under the programme:

- |                   |                             |
|-------------------|-----------------------------|
| 1. Anakapalli     | 10. Proddutoor              |
| 2. Bheemunipatnam | 11. Triupathi               |
| 3. Bhimavaram     | 12. Gadwal                  |
| 4. Srikakulam     | 13. Kareem Nagar            |
| 5. Tenali         | 14. Mahboobnagar            |
| 6. Vijayanagaram  | 15. Medak                   |
| 7. Chittoor       | 16. Ramachandrapuram (BHEL) |
| 8. Guntakal       | 17. Zaheerabad              |
| 9. Nandyal        | 18. Siddipet                |

In the Andhra Pradesh the Financial input for all the approved programmes of the 18 Towns amounted to Rs. 1871.29 lakh, during the Sixth Five Year Plan against the allocation of Rs. 720 lakh for Andhra Pradesh by the Central Government an amount of Rs. 403.63 lakh (56 per cent was released and an expenditure of 643.98 lakh was reported.<sup>18</sup> In Andhra Pradesh while selecting the projects under the programme more emphasis was given on the Site and Service projects. The total number of Sites and Services are 16, commercial complexes are 17, road widening, new Roads 12, Market/Mandies only 1.<sup>19</sup> Total cost allocated for project selected in each component for all the 17 towns (excluding Siddipet Town) selected under the IDSMT Programme, Sites and Service component Rs. 1001.46 lakh, commercial complexes Rs. 485.05 lakh, Traffic and transportation Rs. 292.42 lakh. In other Southern States of India like Tamil Nadu, Kerala priority was given to the Mandies and Market complexes which are more remunerative.

Kareemnagar town is selected for a detailed study in view of the following reasons. Kareem Nagar is one of the two towns in Andhra Pradesh which received highest amount of Rs. 80 lakh. It is the second highest in Andhra Pradesh, in terms of expenditure incurred on the IDSMT Programme. Thirdly, it is a noted town in Telangana region and important district headquarters in the state. This paper examines the implementation of the IDSMT programme in Kareem Nagar Town, the study also aims at identifying the causes and reasons for the delay in execution of the programme. To suggest measures for the expediting the execution of the programme successfully.

<sup>17</sup>P.L. Jayaram, *An Appraisal of the Scheme of IDSMT in Relation to Andhra Pradesh*, Hyderabad, 1982, p. 4.

<sup>18</sup>Government of India, Ministry of Works and Housing, Town and Country Planning Organisation, *IDSMT in Retrospect and Prospect*, New Delhi, 1985, p. 12.

<sup>19</sup>P.L. Jayaram, *An Appraisal of the Scheme of IDSMT in Andhra Pradesh*, Hyderabad, 1982, p. 9.

### ABOUT KAREEM NAGAR TOWN

Kareemnagar is the district headquarters of the Kareem Nagar district since the year 1905. It is an important urban centre in the northern part of Andhra Pradesh. It is located on the Hyderabad Balharshah State highway at a distance of 166 kms. from Hyderabad. It is accessible only by road and it has good road connection with the neighbouring taluks and district headquarters, the broad gauge railway line passes at a distance of 32 kms. from the town i.e., at Peddapally.

All the district level government officers are located in this town including Kareem Nagar taluk office, Degree College, Post-Graduate Centre, and also a grade II Municipality to take care of civic needs. It has good post and telegraph facilities. It has also markets and commercial centres. It has regular trading contacts with the neighbouring state of Maharashtra and Madhya Pradesh to supply and purchase agriculture products and other consumer goods. The town is also known for its 'new gunj' which as a large size market yard dealing with collection and distribution of the agricultural produce grown in the hinterland. The mining activity, and the installation of the super thermal generation plant in its region has brought considerable significance to the town since it is the district headquarters. Its hinterland consists of agricultural lands with developed irrigation facilities. Approximately residents of 51 villages depend on the town for their requirements. Hectic economic activity in and around the town have brought additional scope for rapid development of the town. This can be understood through the population growth of the town. As per 1971 census reports it had population of 48,918, as per the 1981 census it had a population of 85,900. From Table 1, it is clearly visible that population has grown by many fold.

TABLE 1 POPULATION TRENDS IN KAREEM NAGAR TOWN

<i>Year</i>	<i>Population</i>	<i>Percentage decade variation</i>
1901	5752	—
1911	8347	45.11
1921	9399	12.60
1931	10903	16.00
1941	17437	39.93
1951	23826	36.64
1961	31918	32.44
1971	48918	66.03
1981	85900	75.72

SOURCE : Compiled from the census reports.

The population increased since early period of this century. In the past two decades the population increased three-fold. The growth was enormous between 1971-81 with 75.72 per cent, apart from it the floating population visiting the town daily is equivalent to 1/4 of the town population which is causing serious problems in the towns, resulting additional strain on the already inadequate facilities in the town. In the Kareem Nagar town due to congestion within the municipal limits the building activity has tended to more outside the municipal limits.

Yet another notable feature of the town is, it has about 50,000 population concentrated within 1.3 sq. miles of built up area. The town is intercepted by agricultural fields and tanks full of water.<sup>20</sup> Lack of developed house sites resulted in housing shortage. The present water supply is commissioned in the year 1951 for the then population needs. It needs to be augmented to suit the increasing population. Presently 'V' shape drains extend to a length of 30 kms. in the town. There is no proper drainage system for the disposal of storm water in the town. Haphazard growth, imbalanced developments are other problems faced in the development of the town. Considering the haphazard growth of the town, population growth and housing inadequacy, there is an urgent need to relieve the pressure on the town. The traffic in the town is facing too many bottlenecks and it needs immediate attention. The development of the town is necessary from many angles, otherwise people may shift to other major urban centres in search of better livelihood. There is ample scope for taking up developmental activities and provide employment opportunities to the persons who wishes to seek employment in this urban centre. There is no other urban centre in the vicinity of the Kareem Nagar. If developed properly Kareem Nagar Town can act as alternative to the Metropolitan centre, i.e., Hyderabad, Warangal.

The state highway, Hyderabad to Balharshah passes through the town and the district roads connecting neighbouring taluk centres pass through the town causing much more difficulty on the narrow congested roads in the municipal limits. All these major roads start from the core area of the town. The core area is densely populated and highly congested with narrow street bearing high volume of traffic with heavy loaded vehicle day in and day out. Apart from these the centre of the city also contains other buildings of the town such as bus stand, government offices, institutions, cinemas, theatres, markets, hospital banks, lodges, hotels, shopping centres, etc. The traffic movement needs immediate relief by provision of a by-pass road to give relief to the town from heavy loaded vehicles, to facilitate free flow of the

<sup>20</sup>Government of Andhra Pradesh, Prepared by the Director of Town Planning, Kareem Nagar, *Project Report on Integrated Development of Small and Medium Towns*, Hyderabad 1981. p. 6.

traffic in the town. The projects selected under the IDSMT programme are as per the Master Plan prepared in the year 1978. The project selected in the Kareem Nagar town under the IDSMT Programme are intended to give relief to the major problems confronting the town in a span of 3 to 4 years of period. The main reasons for selection of the Kareem Nagar Town under the IDSMT Programme are, it is a District Headquarter, a potential growth centre, and also a commercial and market centre.

#### PROJECT SELECTED UNDER THE IDSMT PROGRAMME IN KAREEM NAGAR TOWN

The Government of India has given sanction to the Integrated Development of Small and Medium Towns project for Kareem Nagar at an estimated cost of Rs. 127.32 lakh<sup>21</sup> as indicated in Table 2.

TABLE 2 APPROVED COST OF THE IDSMT PROJECT SELECTED IN  
KAREEM NAGAR TOWN

Components	<i>(Rupees in lakh)</i>		
	Land Acquisition	Land Development	Total
Sites and Services (81 acres)	33.00	47.42	80.42
Part development of Ring Road 100 ft. wide (29.38 acres)	13.50	27.60	41.10
Widening and Development of pump well road	2.00	3.80	5.80
<b>TOTAL</b>	<b>48.50</b>	<b>78.82</b>	<b>127.32</b>

#### SITES AND SERVICES

The sites and services proposed under the IDSMT Programme is located on the eastern side of the town, i.e., at old power house. The scheme proposes for acquisition and development of 81 acres of land and demarcating them into more than thousand plots to facilitate mostly lower income group people. The estimated cost of this project is Rs. 80.42 lakh. This site shall be developed to be a self-contained project which includes housing, roads, commercial centre, education and health facilities parks and play-grounds, etc.

The amount invested on the site shall be recovered by disposing of the developed plots to the beneficiaries, on the basis of no loss no profit to the municipality. This project shall hopefully reduce the

<sup>21</sup>Letter No. K. 14011/16-81 UD. IIIA, dated March 30, 1981.

density of population in the town, and pave way for planned development of new localities.

#### TRAFFIC AND TRANSPORTATION

The ring road 100 ft. wide, proposed under this programme connects the highways and major district roads which pass through the town and also it passes through the site of the first project mentioned above. After completion of this proposed road it will reduce the traffic congestion in the central part of the town, heavy vehicles passing through the highway can bypass the town. Also it facilitate free flow of traffic around the town. The total cost of the project is Rs. 41.10 lakh, it forms a length of 3.87 kms.

The third project is widening and developing of the pump well road. The existing road is to be widened and developed, since it forms the link between the town and the newly developed site under the IDSMT programme. The road is to be developed to bear the additional traffic which is bound to increase after the allotment of the plots in the site and service programme.

#### *Implementing Agency*

The Kareem Nagar Municipality is the implementing agency for all the projects selected under the IDSMT Programme.

#### FINANCIAL PROGRESS IN THE IDSMT PROJECT

The Kareem Nagar Town has received so far Rs. 40 lakh from the State Government and Rs. 40 lakh from the Central Government thus forming a total of Rs. 80 lakh as per the allocation.

The amount was released, in four instalments to the Kareem Nagar town Municipality. In the first instalment a sum of Rs. 13.45 lakh was released in the Year 1980-81 from the Central funds. In the second instalment Rs. 13.45 lakh was released in the year 1981-82 from the State government funds as matching grant. In fact this amount should have been released along with the first instalment from the state funds, but it was delayed. In the year 1982-83 the Kareem Nagar town has not received any amount since it could not utilise the released amount. In the year 1983-84 the town has received Rs. 29.60 lakh this amount includes the equal matching share from central and state government. In the year 1984-85 it has received Rs. 23.50 lakh with equal matching grants from central and state governments, by this time the town has received Rs. 80 lakh the assured amount from the central and state government.

The remaining Rs. 47.32 lakh out of the total 127.32 lakh approved

cost has to be borne from the municipal funds to complete the schemes.

By the end of the year 1984-85 an amount of Rs. 44.30 lakh has been spent, mainly they were deposited with Land Acquisition Officer to acquire lands. In the year 1985-86 an amount of Rs. 7.42 lakh have been spent. By the end of June 1986 an amount of Rs. 23.29 lakh have been spent. By then the total expenditure is Rs. 75.01 lakh,<sup>22</sup> constituting 58.9 per cent to the estimated cost and 93.76 per cent of the released amount, the money been spent on all the proposed projects. The balance amount is proposed to be spent in the ensuing year. For the land already acquired, Land Acquisition Officer fixed Rs. 48,548 and Rs. 40,000 respectively per acre for the 100 ft. wide road.

#### PHYSICAL PROGRESS OF THE IDSMT PROJECTS

The Municipality has proposed to acquire an extent of 110.88 acres of land for the three IDSMT proposed projects, most of the lands belong to the private parties, a part of the proposed land through G. O. Ms. No. 967 M. A. dated Sept. 23, 1982.

By the end of 1984-85 the layout was formed, the internal roads are earmarked, in the year 1985-86 formation of roads, culverts in 81 acres of land is in progress. Efforts are also been made to shift the electric lines of the APSEB passing through this site. By the end of the year 1986 the scheme shall come to a final stages, the plots would be ready for disposal in the beginning of the 1987. The scheme provides for the development of the following categories of plots:

MIGH	364
LIGH	394
EWS	411
	_____
TOTAL	1,169

The second proposed project widening and development of pump well road. The land to an extent of 0.50 acre has been acquired and the proposed developments on it have been completed. The road is now put to use to the traffic. The approved cost in this project was Rs. 5.80 lakh, the work has been completed in the stipulated cost.

The third proposed project, formation of part ring road 100 ft. wide, 3.87 km. length. For this project land to the extent of 29.38 acres is proposed to be acquired, out of which an extent of 17.30 acres once private land, and 7.01 acres government lands are acquired. Some of

<sup>22</sup>Financial and Physical Progress Report of the IDSMT Programme, Kareem Nagar Municipality, June, 1986.

these lands are taken advance possession on July 9, 1985 and the LAO has to pass the award for some of these lands. The land to the extent of 2 acres are in final stages of acquisition and for the remaining land to an extent of 3.07 acres acquisition is pending due to court cases.<sup>23</sup> The estimates for the development and construction works on these lands have been finalised. The road demarcation has been made, tenders have been finalised and the work is in progress.

#### COMPOSITION OF THE LOCAL MONITORING COMMITTEE

The State Government through G.O.Ms. No. 98 M.A., Dated February 9, 1982, has appointed the following members as the local monitoring committee to review the implementation of the IDSMT Projects periodically:

- |  |  |
|--|--|
| 1. Director of Town Planning nominee, i.e.,<br>Joint Director or Senior Joint Director | ... <i>Chairman</i>                      |
| 2. Joint Collector or Revenue Divisional Officer<br>incharge of land acquisition.      | ... <i>Member</i>                        |
| 3. Superintendent Engineer (Public Health)   | ,,                                       |
| 4. Chairman of the Municipality  | ,,                                       |
| 5. Municipal Commissioner  | ... <i>Member</i><br>... <i>Convener</i> |

The committee is meeting regularly to sort out the problems faced in the implementation of the project. Most of the issues discussed in this meeting are pertaining to the pending land acquisition cases.

#### REASONS FOR THE DELAY IN EXECUTION OF THF PROGRAMME

Preparation and finalisation of project reports consumed lot of time in the initial stages, the programme did not get ready response at the initial stage. The IDSMT programme was sanctioned (Kareem Nagar Town) after 12 months of the launching of the programme due to tardy procedures, which needed approval from multiple agencies. To take any decision in the implementation of IDSMT programme the municipality had to seek the approval of the government at all stages—initiation of the project proposals, project sanction, approval of the estimates, procedure to be adopted in the execution of the project, procedure to be adopted for selecting the beneficiaries, etc., the Municipality had to depend on Revenue Department for acquiring land

<sup>23</sup>Government of Andhra Pradesh, *Review Reports of the Director of Town and Country Planning Department, Hyderabad, June, 1986.*

in considerable time is consumed and ultimately the projects are executed behind the scheduled time.

The project selected in the Kareem Nagar Town needed bulk acquisition of land over which the municipality has no control at all. Land Acquisition is a state subject and it is been dealt by the Revenue Department. Non-cooperation by the land owners, lead to legal disputes, the court took its own time to dispose of the pending acquisition cases.

Inter departmental coordination could not be elicited in time to expedite the implementation of the programme. Time bound programme like IDSM T are not given priority in the implementation. Non-availability of local resources to complete proposed projects, is yet another reason. Non-availability of trained staff to execute the programme also came in the way of timely execution of the programme. The local Monitoring Committee which is constituted to solve the problems arising in the implementation of the programmes could not yield much results in Kareem Nagar Town.

#### CONCLUSION

The selection of the Town under IDSM T Programme is a blessing to the Kareem Nagar Municipality and it can solve some of the problems of town. The population of the town has grown tremendously, in 1971 census it was 48, 918 by the 1981 census it has grown upto 85,900. At this rate, it must have crossed one lakh by 1986. It has been anticipated that the town shall grow much faster with the multi crore investments made in the coal mining, electricity generation projects, in the vicinity of the town. The town has been directly benefited out of these economic activities. It needs immediate development of the town to accommodate the growth. Kareem Nagar is one of the 18 towns selected under IDSM T Programme in Andhra Pradesh. As envisaged in the objectives of the IDSM T Plan the town shall develop in a balanced way and provide 1200 house sites for various categories of people, new roads, civic amenities and employment opportunities are proposed through the selected project.

So far the Municipality has spent Rs. 75 per capita in the town from the centrally financed components, it is expected to increase once the municipality invests its share of amount on the projects. Though the Municipality has not received any returns from the projects, by March 1986 it has to pay approximately an amount of Rs. 9.40 lakh as interest for the loan amount received. The rate of interst has been raised from 5.5 per cent to 8 per cent.

The projects selected under this programme may give relief to the problems which are prevailing in the town. Abnormal delay in the land

acquisition proceeding in the site and service project and the 100 ft. wide by-pass road have stalled the IDSMT programme for considerable time. The projects were sanctioned in the March, 1981, the land acquisition proceeding have started after receiving the formal approval from the Government of India, one third amount of the loan was released by March 1982. Due to the non-cooperation by the owners of the land proposed for acquisition, and court stay order, the municipality could not acquire the land in the early years of the Sixth Plan period as envisaged. The municipality took the proposed land into possession by Dec., 1985, by the time entire plan period was over, even today an extent of 3.05 acres of land which form a part of the by-pass road has to be acquired.

The price fixed by Land Acquisiton Officer and the court have varied from one survey number to the other involved in same project. Initially the municipality has paid, Rs. 25,000 per acre for some of the lands, later on the land acquisition officer has fixed Rs. 40,000 and Rs. 48,548 per acres for the land involved in the IDSMT Projects. Certainly this escalates the land prices, and also the cost of development works to be carried on the land has gone up. Ultimately the beneficiaries have to bear the increased prices. Only one project has been completed, i.e., widening and developing the pump well road and it is put to use for the traffic. This road will be of much more useful once the developed sites in the first project are allotted to the beneficiaries. The second project, i. e., the 100 ft. wide by-pass road shall certainly give the desired result. It shall act as the outer channel to link major district roads. The heavy vehicles plying on the state highway between Hyderabad and Balharshah can bypass the town by using this new road. The three IDSMT projects shall give new look to the town and shall add an additional developed area to the town, thus creating a better opportunity for the people to settle in the town.

The cost involved in the development of the three projects shall be recovered in course of time from the beneficiaries. The investment made on the site and services project Rs. 80.42 lakh shall be recovered from the plot allottees. The amount invested on the two roads was Rs. 46.90 lakh under the traffic and transportation component shall be recovered indirectly from the beneficiaries. These two roads are permanent assets to the municipality and they shall enable the town to develop properly, out of the Rs. 40 lakh released by the state matching share to the municipality Rs. 20 lakh is non-refundable, this amount shall be adjusted towards these two projects. After successful recovery of the amount invested on the IDSMT programme it enables the municipality to take up new schemes for the development of the town.

The municipality has opted to have project in only two components,

i.e., in site and services and traffic and transportation. The third component mandies and market is left over. Instead of it the municipality could have selected at least one project under this component under which it could have constructed, shop and stalls which could have fetched regular income to the municipality by letting them out and also it could have generated additional employment source in the town.

The IDSMT is a time bound scheme, the projects sanctioned to the Kareem Nagar town should have been implemented by the end of the Sixth Plan period, but unfortunately, the municipality could not execute the programme due to several constraints. The town population are general beneficiaries, and the house-sites allottees are the specific beneficiaries.

#### SUGGESTIONS

1. The State Government and the Local Bodies, should give top priority in execution of the time bound programmes like IDSMT, failing which the programme can not be executed as per plan.
2. The Municipal staff involved in the execution should be trained and retained in the same place without transfers till the projects are executed completely.
3. Special cell should be created to acquire lands for time bound IDSMT Programme, so that these proposals are not stuck up in the regular routine cases.
4. The Kareem Nagar Municipality should mobilise resources immediately to invest its share in the IDSMT Programme.
5. The Government should explore the possibility of exempting the payment of interest till the Municipality gets returns from the projects, otherwise the municipality has to pay the interest from the approved cost of the project which results in the shortage of funds for the completion of the projects.
6. A survey should be conducted to know the absolutely homeless residents in the town so as to make selection of the intended beneficiaries for allotment of the developed plots.
7. Municipality should plan to recover the investment made on the two roads from the users of the roads, since it has to repay the entire amount invested on roads to the lending agencies with interest.
8. The State Government should ensure timely investment on slum improvement, water supply, civic amenities as proposed in the IDSMT programme since they also provide infrastructure facilities and improve the environment in the town, which gives major relief to the town and enhances its image.

9. The Municipality should maintain the assets properly created under programme, separate accounts should be maintained and it should ensure proper collection of returns from the projects to recover the amount invested.
10. To reinvest the IDSMT Funds new project should be selected, while selecting, the Kareem Nagar Municipality should ensure selecting the project under mandies and markets also, since they fetch regular income facilities to the local bodies to improve their status.
11. The Municipality should select the project under the low cost sanitation also to improve the general sanitation in the town.

## *Revenue Base of Secondary Cities of Tamil Nadu—A Review*

CHETAN VAIDYA and D.N. BASU

TAMIL NADU is the second most urbanised state in the country, with an urban population of about 16 million in the year 1981. Madras is the largest urban area in the state and accounts for about 25 per cent of the state's urban population. At present a well conceived Madras Urban Development Project (MUDP) is under implementation. The next four large centres of the State are Coimbatore, Madurai, Salem and Trichy with a total population of 22.5 lakh in 1981. These centres can be termed as Secondary Cities of the state. These centres suffer from the problems of serious deficiencies in the key sectors particularly water supply and shelter commonly observed in the large cities of the country. Efforts are already under way to ameliorate the situation in water supply sector in Coimbatore, Madurai and Salem as part of Tamil Nadu Water and Sanitation Project. Shelter and other municipal services have remained relatively unattended and now appears to be the problems deserving very high priority.

In this perspective, the four centres are likely to be covered with Madras as part of the proposed Tamil Nadu Urban Development Project. The main objective of the proposed project is to further develop and expand solutions to urban problems in Tamil Nadu initiated under MUDP. It would support the continued re-orientation of shelter and infrastructure investment programmes making them more responsive to the needs of the urban poor. It would also provide continued support to strengthen urban development planning, capital programming and budgeting in the selected centres of the state.

The four Urban Local Bodies (ULBs) have prepared a number of schemes for external assistance. At present, revenue base of the ULBs is not very strong. It may not be possible for them to undertake all the development schemes. Therefore, a review of revenue base of the ULBs becomes necessary from the point of view of satisfactory opera-

tion and maintenance of the improvements and also service the debts.<sup>1</sup>

This paper has been prepared in this context. It has analysed revenue base of the ULBs, studied revenue management system and identified areas of resource mobilisation. It has also made a case for performance budgeting for these local bodies.

#### DEMOGRAPHIC AND ECONOMIC PROFILE

Population of the four centres varies between 3.6 to 8.2 lakh (1981). Among the four urban centres, Madurai had the highest annual growth rate of population during 1971-81 (2.9 per cent) followed by Coimbatore (2.5 per cent) (Table 1). Both Salem and Trichy had low growth rate less than corresponding figure for the state urban population (3.3 per cent). Although Salem had the lowest growth rate of population, in terms of population density, it is the most densely populated centre (18,110 persons per sq. km.). Madurai and Trichy do not have very low density compared to Salem. The population density is quite low in Coimbatore at 6,676 persons per sq. km.

TABLE 1 DEMOGRAPHIC CHARACTERISTICS OF COIMBATORE,  
MADURAI SALEM AND TRICHY—1981

	<i>Coimbatore</i>	<i>Madurai</i>	<i>Salem</i>	<i>Trichy</i>
(a) Total population (in lakh)	7.05	8.21	3.61	3.62
(b) Population Density (persons/sq. km.)	6,676	17,470	18,110	15,565
(c) Average household size	4.9	5.2	4.8	5.0
(d) Annual growth rate 1971-81 (per cent)	2.5	2.9	1.7	1.8

SOURCE : *Census of India, 1981.*

An overall understanding of economic base of the urban centres is essential to identify revenue potential of these areas. Economic base has been analysed in terms of occupational pattern, number of industrial units, employment in industrial and trade activites, etc.

Analysis of occupational pattern reveals the pre-dominance of manufacturing and trade and commercial activities in all the selected centres. The two activities account for 48 to 58 per cent of the total workers. Services is the next major activity.

<sup>1</sup>Madras Metropolitan Developmet Authority has sponsored a study on Municipal Finance and Project Feasibility for these four urban centres. It is being carried out by ORG.

Combatore has the highest number of organised industrial units (856 in 1981). Number of units in the other three centres varies between 402 to 459. In terms of number of industrial workers, textile based industries account for about 50 per cent of total workers in Coimbatore and Madurai cities. In Salem city food products is the most significant group, consisting of 38 per cent of total number of industries and employing 30 per cent of the total workers. Manufacturing of machinery and transport equipment is the most important group in Trichy city contributing 65 per cent of the total workers and about 45 per cent of the total units. This group is the second most significant activity in Coimbatore accounting for 27 per cent of the total workers. As far as, annual growth rate of industrial workers during 1977-81 is concerned, it is the highest for Salem (8.5 per cent) and the lowest for Trichy. In Coimbatore and Madurai it is 5.4 per cent and 4.9 per cent respectively.

Trade and Commerce also plays an important role in economic activity of the selected centres. Based on data provided by Inspector of Labour, it is estimated that the highest number of shops and establishments are in Trichy (16,995) followed by Madurai (15,909). Trade and Commercial sector is growing at a very fast rate in Salem compared to other selected centres. While total number of employees increased at an annual rate of 6 per cent in Salem and Coimbatore, there is a decline in number of workers in Trichy. In Madurai number of employees increased by 2.4 per cent.

Organised sector employment in non-manufacturing activity is not available. Table 2 presents crude estimates of employment in organised and unorganised sectors. It varies between 20 to 34 per cent for the unorganised sector.

TABLE 2 PERCENTAGE EMPLOYMENT ESTIMATE IN ORGANISED AND UNORGANISED SECTORS—SELECTED CENTRES

	Total employ- ment in lakh (1984)	Organised Sector		Unorganised Sector
		Manufac- turing	Non-manu- facturing	
Coimbatore	2.49	27.7	52.2	20.1
Madurai	2.65	9.8	56.6	33.6
Salem	1.30	11.5	57.7	30.8
Trichy	1.00	22.0	55.0	23.0

It can be said that Coimbatore has a strong economic base particularly in terms of industrial base and growth of private and public

organised non-manufacturing sector. Madurai shows medium growth in both manufacturing and non-manufacturing sectors. Salem shows high growth of industrial sector, but not so far trade and commerce sector. Trichy shows decline in organised sector employment. Given the economic status of the selected centres, it is interesting to study how it is reflected in the existing revenue base of ULBs and how the potential can be tapped for additional resource mobilisation.

#### REVENUE ANALYSIS

Own sources of revenue of the four ULBs are governed by the Coimbatore City Municipal Corporation Act, 1981 (for Coimbatore), Madurai City Municipal Corporation Act, 1971 (for Madurai) and Tamil Nadu District Municipalities Act, 1920 (for Salem and Trichy). In accordance with provisions made in these acts the ULBs have levied three taxes, namely, Property Tax, Profession Tax and Tax on carriage and animals. In Coimbatore and Madurai Advertisement Tax has also been levied. Besides the tax sources, the local bodies obtain revenue from non-tax sources also. At present the different sources of non-tax revenue are fees, water charges, income from properties, remunerative services and other special services, and grants and contribution. In addition to these sources, the ULBs are entitled to receive contribution from Motor Vehicle Tax, Entertainment Tax and Stamp Duty.

Revenue structure of the selected ULBs has been analysed in terms of per capita revenue, percentage contribution of different sources and growth rate of different components. Important observations are summarised below:

- (a) Total per capita revenue varies between Rs. 125 in Coimbatore to Rs. 104 in Madurai. Current revenue accounts for a very large proportion of the total revenue. Coimbatore has the highest per capita current revenue of Rs. 114 whereas it is only Rs. 102 for Madurai. It is interesting to note that per capita current revenue of all the four ULBs is higher than Madras city (excluding Water tax) (see Table 3).

TABLE 3 PER CAPITA REVENUE OF THE SELECTED URBAN LOCAL BODIES (AVERAGE FOR YEARS 1983-84 & 1984-85) IN RS.

<i>Revenue</i>	<i>Coimbatore</i>	<i>Madurai</i>	<i>Salem</i>	<i>Trichy</i>
Current	114.1	101.7	106.4	108.9
Capital	11.0	1.9	16.4	8.0
<b>TOTAL</b>	<b>125.1</b>	<b>103.6</b>	<b>122.8</b>	<b>116.9</b>

- (b) Of the total revenue around 60 to 70 per cent is contributed by tax revenue in Coimbatore, Salem and Trichy (Table 4). In Madurai corresponding figure is only 58 per cent. Tax revenue exhibited a higher growth rate than non-tax revenue in the selected centres except Madurai (Table 5).
- (c) Within tax revenue, property tax and entertainment tax appears to be the most important sources accounting for 47 to 59 per cent of current revenue. During last five years, entertainment tax has been growing at a very fast rate in all the four centres. It is particularly so for Trichy (43 per cent annually). Though a state assigned source, entertainment tax has been most encouraging source of revenue. Contribution of Octroi to municipal taxes is high in other states.<sup>2</sup> There is no Octroi in this state.
- (d) Apart from property tax and entertainment tax, the other sources of revenue, namely, professional tax and advertisement tax are at present of little significance as far as their contributions are concerned. However, in all the four centres, professional tax was growing at a significant rate (between 13 to 23 per cent). Advertisement tax showed a very impressive annual growth rate of 25 per cent for Madurai. Both these sources are very responsive to economic growth of the urban centres and are likely to make significant contribution in future.
- (e) Within non-tax revenue, fees, income from properties and water charges are the three major revenue sources. Fees account for about 6 to 7 per cent of total current revenue and the corresponding figure is 5 to 7 per cent for water charges.

Growth rate of revenue from water charges has been very high in Comibatore (60 per cent) which is largely due to trepling of water tariff in the city since April, 1983. Similar revisions in tariff have also been given effect in Madurai and Salem from April, 1985.

Income from properties is also an important revenue source in Coimbatore, Madurai and Trichy. It is quite significant in Salem. In Trichy, this source accounts for about 11 per cent of current revenue, and had a very high annual growth rate (21 per cent).

- (f) Apart from tax and non-tax sources, grants and contributions constitute a major source of current revenue of the ULBs. They account for about 8 to 12 per cent of the current revenue.

The above analysis of revenue pattern of ULBs clearly brings out

<sup>2</sup>A Study of the Resource of Municipal Bodies, NCAER, New Delhi, 1980, p. 29.

<sup>3</sup>Also see Review of Municipal Financial Management in A. Datta, *Municipal Finances in India*, IIPA, New Delhi, 1983, pp. 88 to 99.

significance of the revenue sources, namely, Property Tax and Entertainment Tax. These sources have been examined in detail.

TABLE 4 PERCENTAGE CONTRIBUTION OF VARIOUS SOURCES OF CURRENT REVENUE—SELECTED LOCAL BODIES  
(AVERAGE OF 1983-84 & 1984-85)

	<i>Percentage of Total Current Revenue</i>			
	<i>Coimbatore</i>	<i>Madurai</i>	<i>Salem</i>	<i>Trichy</i>
1. <i>Current Revenue</i>				
1.1 Property Tax	30.7	28.6	23.8	20.9
1.2 Professional Tax	3.6	4.0	2.0	3.6
1.3 Entertainment Tax	28.0	18.9	32.9	36.5
1.4 Other Taxes	7.8	6.4	8.1	5.3
SUB-TOTAL 1	70.1	57.9	66.8	66.3
2. <i>Non-tax Revenue</i>				
2.1 Water charges	5.2	4.7	7.4	6.3
2.2 Fees	7.3	7.1	7.1	6.3
2.3 Others	8.9	18.7	6.8	12.9
SUB-TOTAL 2	21.4	30.5	21.3	25.5
3. Grants and Contributions	8.5	11.6	11.9	8.2
<b>TOTAL (1+2+3)</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Current Revenue (Rs. in lakh)</b>	<b>815.38</b>	<b>846.93</b>	<b>387.55</b>	<b>397.30</b>

SOURCE : Local Bodies

TABLE 5 AVERAGE ANNUAL GROWTH RATE OF CURRENT REVENUE FOR SELECTED CENTRES—1980-81 to 1984-85

	<i>Average Annual Growth Rate 1980-81 to 1984-85</i>			
	<i>Salem</i>	<i>Madurai</i>	<i>Coimbatore</i>	<i>Trichy</i>
1. <i>Current Revenue</i>				
1.1 Property Tax	7.0	6.2	18.1	8.8
1.2 Profession Tax	12.5	20.5	23.4	16.5
1.3 Entertainment Tax	22.0	18.1	31.1	43.2
1.4 Other taxes	-2.8	3.8	7.9	19.6
TOTAL—1	12.1	9.8	21.0	23.6
2. <i>Non-tax Revenue</i>				
2.1 Water Charges	0.8	18.0	60.8	-4.5
2.2 Fees	12.6	25.2	11.5	6.3
2.3 Other	-18.7	-0.8	11.6	6.3
TOTAL—2	-6.9	10.4	18.0	6.3
3. Grants and Contributions	4.8	5.8	-1.5	108.0
<b>TOTAL Current Revenue</b>	<b>5.2</b>	<b>7.4</b>	<b>17.5</b>	<b>19.9</b>

Property Tax is the single most important source of own tax revenue of the selected local bodies. It is observed that growth of Property Tax revenue has generally failed to capture the increasing potential in the urban areas (Table 6). ARV per property varies significantly across the four selected centres. Property Tax rates varies between 27 to 37 per cent and is levied flat rate basis unlike modeos where the rate is on progressive basif. It is estimated to be only Rs. 512 in Salem against Rs. 1, 815 in Coimbatore. Average ARV in Salem is very low compared to other centres.

Salem appears to exhibit very unsatisfactory situation in terms of growth rate of ARV per property and current demand. In Trichy, while the annual growth rate of properties has been very low (1 per cent), ARV per property and current demand has increased by about 4 per cent. Madurai exhibits a fairly significant growth in property tax revenue. It is noted that Madurai is the only ULB where quinquennial revisions are being currently carried out. Number of properties has also increased by 2.7 per cent per year.

TABLE 6 SOME INDICATORS OF PROPERTY TAX REVENUE—  
SELECTED URBAN CENTRES

City	No. of taxable proper- ties (1984-85)	Annual growth rate of proper- ties (1980-81 to 1984-85)	Average ARV per property (Rs.) (1984-85)	Annual growth rate of ARV per property (1980-81 to 1984-85)	Average annual growth rate in current demand
Coimbatore	120030	8.4	10.78	2.3	26.4
Madurai	95000	2.7	1815	10.4	17.3
Salem	94300	2.0	512	-0.4	1.5
Trichy	43100	1.0	1435	3.8	4.5

In Coimbatore city, total number of assessed properties has increased by 8.4 per cent annualy in last four years. As no quinquennial revision has taken place here the increase in ARV can be attributed to growth of new properties. In terms of current demand, Coimbatore has registered a higher growth rate than Madurai (26 per cent compared to 17 per cent). This is mainly due to steep increase in Property Tax rates with effect from October, 1983.

Trichy and Salem are two cities where neither quinquennial revision of ARV nor increase in Property Tax rates has taken place in last eight years.

Entertainment Tax is a state assignment. The tax is levied by the state government, collected by the Commercial Tax Department and the revenue proceeds transferred to the local bodies on the basis of

certain rules. The tax is levied on the value of the ticket and is payable for each ticket sold. Entertainment Tax is the fastest growing revenue sources of local bodies. Due to its high growth rate there has been in the recent years a shift towards Entertainment Tax from Property Tax insofar as contribution to total current revenue is concerned. Entertainment Tax accounts for 19 per cent to 36 per cent of total current revenue (Table 7). The high growth of revenue from Entertainment Tax has been largely due to the significant growth in the number of cinema halls in the urban centres.

TABLE 7 GROWTH OF REVENUE FROM ENTERTAINMENT TAX—  
SELECTED URBAN CENTRES

City	Percentage to Current Revenue		Average Annual Growth Rate of Revenue (%)
	1980-81	1984-85	
Coimbatore	21.1	27.8	31.1
Madurai	14.3	18.9	18.0
Salem	23.4	36.4	22.0
Trichy	22.9	34.8	43.3

It can be concluded that while in per capita revenue terms, there is not much difference among the four cities, the growth rate is significantly higher for Coimbatore which is in consonance with its economic development. Other major observation is that Entertainment Tax is becoming a very significant source of revenue. In terms of growth potential, Professional Tax and water charges are important sources of revenue.

#### REVENUE MANAGEMENT SYSTEM

Revenue management system plays an important role in the overall administration of the local bodies. The revenue generated by the local bodies depend not only on the types and rates imposed but also on proper management of the revenue sources. This also indicates the need for a suitable organisation structure for revenue collection.

#### *Organisation Structure*

The revenue section of the local bodies is headed by the Revenue Officer/Cheif Revenue Officer who is in-charge of overall revenue management including assessment, billing and collection. The revenue officer is supported by Assistant Revenue Officers (ARO) in his functions. Generally, each urban centre has been divided into separate divisions/zones and one ARO put in-charge of one division/zone. Each

ARO is responsible for coordinating all the functions with respect to his zone/division. Below the ARO is the Zonal Officer/Assessor whose primary responsibility is to take care of the annual valuation with respect to new properties as well as revisions with respect to additions or alterations carried out to existing properties. Below the Zonal Officer/Assessor is the Licence Inspector/Revenue Inspector whose basic function is to supervise the work of the bill collectors. Trichy and Salem, being a Municipality there is no Assessor/Zonal Officer. Accordingly, the Revenue Inspector, apart from supervising the work of the bill collectors also looks after new property assessment as well as revision of existing properties.

#### *Collection Performance*

An important factor governing the total revenue of the local body is the collection performance. This aspect of municipal finance is important as a low figure of total revenue may be due to poor performance. Percentage of arrear demand to total demand is very high with respect to both Property Tax and Profession Tax. This is particularly true for Profession Tax. With respect to Property Tax, collection of current demand is not very unsatisfactory in Coimbatore (72 per cent) and Madurai (68 per cent) and quite satisfactory in Salem (91 per cent) and Trichy (88 per cent). With respect to profession tax, collection of current demand is unsatisfactory for Coimbatore (50 per cent) and good for Madurai (82 per cent) and again very satisfactory for Salem (99 per cent) and Trichy (98 per cent).

In general, it can be said, that taking into account both current and arrear demand the collection performance of the local bodies is just above average for Coimbatore and Madurai and there exists sufficient scope for improvement in the future years. For Salem and Trichy the collection performance is in general good, with regard to current demand but not so for arrear demand which, however, is relatively low compared to current demand because of better collection performance.

#### *Observations*

Observations on existing system are :

Among the receipts of the local body, Property Tax and Professional Tax account for a major share. This calls for better collection of taxes on which the local body has direct control. Absence of enough information from the present system in terms of total number of properties, high value of properties, ageing of arrears, demand, collection and balance, hampers the proper review of collection. It appears as if the whole system is characterised by delay and a vicious cycle operates. The unsatisfactory collection of arrears leads to more

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clerical work and the Demand Notices for the current year are delayed. This causes further delay in collection of current year taxes, and this does not seem to end.

The collection review, independent, of overall financial review reflects the ad hoc nature of financial review in Local Bodies. Overall financial review includes money receivable from own sources, from government and major commitments for the period under review and measures to match the revenue with expenditure. Maintenance of too many and unwieldy registers causes the redundancy in recording the transaction and reference to more than one register to retrieve details. Reference to Demand Register and Arrear Demand Register may be necessary to know the balances of an assessee. Keeping of redundant information in the registers makes it unwieldy. The Property Tax Demand Register contains 12 monthly columns to record the collections. The only purpose it serves is monthwise collection figures.

In case of Professional Tax, the absence of compulsory registration of employers, the list to be furnished by the employer is not forthcoming. Unless the Commissioner asks for list of employees, there is no responsibility on the part of the employer to furnish the list.

Present practice of giving demand notices once in six months also causes lot of uneven workload. For instance in Coimbatore, they need to give 2,40,000 Demand Notices only for Property Tax.

Register of receipts is not formatted properly. Against a single receipt all the 140 Account columns are shown. In practice, receipt affects only one column/few columns. Based on individual needs, this register can be formatted. There is a practice of posting individually all receipts in register of receipts. Instead summary posting may be made.

There is no penalty provided for non-payment of taxes neither there is any scheme of discount/incentive for the prompt tax payers. The Act has provided for sources of revenue which are basically seasonal in nature with the result that there is not even flow of revenue to the local bodies.

The problem of inadequate financial resources is common for most of the urban local bodies in India. Rapid population growth together with the demand for increasing level of services has strained the budget of most of the corporations. The ULBs have been trying to respond to this situation through various measures of resource mobilisation. For Coimbatore, Madurai and Salem this problem has acquired greater significance in view of the new water supply projects that have been proposed for these local bodies. The contemplated water supply projects involving a total outlay of about Rs. 70 crore (for the three towns) will call for the mobilisation of substantial amount of additional resources on part of the local bodies for proper maintenance of the

newly created assets as well as meeting the debt servicing burden. Table 8 presents additional expenditure due to the water supply scheme. Just one service namely water supply, will account for 28 to 50 per cent of projected current revenue. This indicates the need for resource mobilisation.

While the potential exists the resource mobilisation efforts called for tapping this potential will be quite substantial; particularly as the expenditure on water supply in the coming years will form a sizeable portion of expenditure on current account. Such measures have to be necessarily phased out with a balanced combination of those which can be implemented in a short-term context and those requiring structural changes and thus implementable in a long-term context.

TABLE 8 ADDITIONAL EXPENDITURE DUE TO THE NEW WATER SUPPLY PROJECT—SELECTED URBAN CENTRES

	(Rs. in lakh)		
	Coimbatore	Madurai	Salem
1. Total present current revenue (1983-84)	713	786	390
2. Projected current revenue on trend basis (1990-91)	1,083	1,055	532
3. Additional expenditure due to new project (1990-91)			
(a) O and M	152	189	106
(b) Debt Servicing	275	336	42
TOTAL (a) + (b)	427	525	148
4. Additional expenditure as per cent to projected current revenue	39	50	28

SOURCE : Municipal Corporations/Municipality.

#### AREAS OF RESOURCE MOBILISATION

Local governments need to allocate their scarce administrative resources to those revenue-generating areas where returns are high instead of devoting the same efforts to all revenue sources.<sup>4</sup> Areas of resource mobilisation have been identified considering following perspective.

At present, Entertainment Tax and Property Tax are the two most important revenue generating sources. Property Tax is more or less a

<sup>4</sup>G. Cochrane, "Policies for Strengthening Local Government in Developing Countries", *World Bank Working Paper No. 582*, 1983, p. 22.

stagnant source of revenue. Therefore, ULBs are becoming more and more dependent on just one source, namely, Entertainment Tax. It is not a healthy trend.

The type and level of services required by the urban population in future, will need investment many more times than past investments. In addition, the economic growth of urban centres offers sufficient scope for mobilising additional resources.

Additional resource mobilisation measures have been suggested in this perspective. They can be broadly classified into two groups : (a) Short-term measures: These measures can be implemented within the existing statutes and organisational framework and therefore do not call for any substantial change pertaining to powers and functions of the local bodies. (b) Long-term measures : These measures require certain changes in the existing statutes, decision at state government level as well as long-term organisational changes.

#### *Short-term Measures*

(a) Considering the fact that a major factor for underutilisation is absence of quinquennial revision on more systematic base, the most important short-term measure for Coimbatore, Trichy and Salem will be to undertake the quinquennial revision exercise earliest on a systematic basis and also to improve the collection performance. It is to increase tax rates in Salem, Trichy and Madurai to bring them on par with Coimbatore (Old City). Though the progressive rate of property taxation, as in Madras with a ceiling as per Act, would be preferable on a long-term basis, this need not be attempted now till the results of quinquennial revision are available and analysed to evolve an appropriate tax structure. Surcharge on commercial properties in line with the provisions made in Calcutta Municipal Corporation Act may be included. However, this is likely to be a long-term measure.

Methods of improvement in collection performance have to combine certain measures of incentives and disincentives. These measures could be applied both to the revenue collection staff (which is in practice now, but needs modification) as well as rate-payers. It is also necessary to examine the feasibility of reducing the proportion of arrear demand due to litigation by adopting more effective measures in the form of scrutiny by higher authority and suitable modifications in the working of the Appellate bodies.

(b) Advertisement Tax has been in operation in Madurai more than a decade and has come into effect in Coimbatore with effect from April 1, 1986. The Tamil Nadu District Municipalities

Act which govern Trichy and Salem Municipalities does not have provision for this tax. Available evidences indicate that the tax realisation is quite low in relation to the economic base of the city as reflected through organised sector employment. While the suggestions for enhanced revenue from this source would be both in the nature of higher tax rate and better coverage in Coimbatore, for Madurai it would be more by way of tax rate. In implementing the suggested rates emphasis should be placed on those items which have higher revenue potential, e.g., advertisement screened by film in cinema theatres.

- (c) Both in view of the low rate of fees fixed long time back as well as inadequate coverage result in low revenue realisation from licence fees source (0.3 per cent to 1.0 per cent of current revenue), certain immediate measures to enhance revenue from this source would be significant in terms of short term resource mobilisation efforts. A comparative analysis of the prevailing rates of licence fees by selected type of trades in Madurai/Coimbatore and those in Madras suggest a wide difference.
- (d) As part of the Tamil Nadu Water Supply and Sanitation Project revised water tariff have been proposed for Coimbatore, Madurai and Salem. Water tariff on par with proposed tariff in these centres is suggested for Trichy city.
- (e) Income from remunerative enterprises appears to have very large potential. This is demonstrated by the recent spurt in growth in revenue in Coimbatore and Madurai, expected sizeable additional income in Salem and above all the growth in market demand as a result of expansion of trade and commerce. The other important contributing factor is the availability of space with the local bodies. However, the two most critical constraints to achieve sizeable expansion in revenue from this source is the availability of finance and management of construction as well as operation and maintenance activities. Keeping in view potential and the likely funds that can be generated for financing such projects, an overall plan of expansion can be worked out.
- (f) It is necessary to monitor profession tax both in terms of coverage and collection performance. Expected high growth of economic activities in Coimbatore and low coverage of higher income employees in the unorganised sector suggest the need for a close monitoring system. Equal emphasis should be given to collection performance as in the case of Property Tax. As in Maharashtra, there is need to introduce compulsory registration of employer under the act.

- (g) Computerisation can help in improving revenue management system of ULBs. Property Tax and Water Charges deserve the highest priority in computerisation. Basic advantages of computerisation will be improved system of Property Tax record maintenance by doing away with existing arrear demand register and automatic generation of Property Tax demand notices in time eliminating the manual delays. Since Water supply will assume to be a major source of revenue, it becomes necessary to tap the full potential of the source. In this computerisation will help automatic production of water bills/receipts, timely recording of payments and necessary follow-up actions.

#### *Long-term Measures*

In addition to short-term measures, it is important that ULBs also initiate long-term measures. These measures might require changes in the existing legal status and change in the financial relationship between the state government and the local bodies. Most important measures are given below :

- (a) Urban development surcharge should essentially relate to economic transactions/activities taking place within the urban centres. As Octroi is not a satisfactory solution, a levy related to sales tax is suggested. It could be in form of urban development surcharge on sales tax. In all the four urban centres substantial amount is being collected by the state government through sales tax. Surcharge and Additional Surcharge on sales tax. It is perhaps justifiable to allocate certain percentage to the local bodies. It is pertinent to note here that Madras Corporation is at present getting some share from the state government from the total collection of surcharge on the sales tax. The amount is given as lumpsum and not related to actual collection (Rs. 2 crore per year). In future, it may be desirable to relate the share of ULBs to actual collection of the sales tax.
- (b) Local bodies do not receive any significant contribution from the state government for Motor Vehicle Tax. Present amount of assignment has been fixed long back. Revenue from this source is significant. The expenditure on provision of new roads and maintenance of existing roads has increased significantly. In this context, the feasibility of increasing the amount of contribution needs to be examined.
- (c) The possibility of extending the powers of levying Advertisement Tax to Trichy and Salem Municipalities also needs to be considered.

#### A CASE FOR PERFORMANCE BUDGETING

In the context of inadequate resource position of local bodies huge investments are made through external funding, as part of urban development projects in local bodies. Further investments in urban development projects, may not have the desired impact, unless the earlier assets created are properly operated and maintained. This in turn calls for improved finance performance of local bodies through revenue mobilisation, better collection performances, etc. It is in this context that the role of Budget in Municipal Finance Administration needs to get clearly reviewed. Relevant Acts have given lot of importance to the preparation and use of budget as a tool for planning, review and control of finances of local bodies.

Budgeting exercise in regulating the municipal finances, the present system tends to give too much of importance only to be monetary aspects, without considering the physical aspects. There is need for preparation of budgets based on quantitative details also, in addition to the money aspects, so that review become complete on all aspects. That is how, the concept of performance budgeting got evolved.

In view of the poor financial performance of local bodies and the need for maintaining the existing assets, an incentive oriented grants and capital schemes was suggested by the Municipal Finance Commission, appointed by West Bengal Government.<sup>5</sup> This system was introduced with effect from April 1, 1983 to coincide with the launching of Calcutta Urban Development Project (CUDP III).

This scheme is based on two things, viz.:

- (a) A target is set for collection performances (basically for property tax) and initial capital schemes.
- (b) Depending on the financial performances of the local bodies, next year's allocation for capital schemes are sanctioned/kept in abeyance/new schemes entertained.

There is need to introduce a performance budgeting system for the selected secondary cities and other ULBs in Tamil Nadu. This system needs to get visualised as a tool for the local body to improve revenue generation base and activate revenue management system. □

<sup>5</sup>"Report of the West Bengal Municipal Finance Commission", Government of West Bengal, 1982, p. 173. Also see T. K. Banerjee, "State-Local Transfer Policy—Objectives, Principles and Application" in *Urban Management*, ILGUS, Calcutta, January 1986, pp. 24-36.

## *Book Review*

*Studies in Indian Urban Development*, EDWIN S. MILLS AND CHARLES M. BECKER, New York, Oxford University Press for the World Bank. 1986, pp. viii+214.

This is one of the best studies on urbanisation in a single country arising out of a research project sponsored by the World Bank. The thrust of the book is on positive economics; as such, normative policy questions have been eschewed, except in regard to the current Indian policies to alter city sizes. If this was supplemented by an examination of the prevailing Indian approaches towards urban land policies, then the book would have covered the entire gamut of Indian urbanisation issues, both positive and normative.

The main findings of the study are not startling, which is one indication of its soundness. However, some of the specific conclusions deserve reiteration, such as :

- India is not overurbanised compared to similarly placed developing countries; with economic growth India will urbanise rapidly during of the rest of the century.
- India has one of the most dispersed system of city sizes; the city size distribution varies among India's five large regions which in recent decades have tended to become more similar to one another.
- The observation that ~~large~~ cities grow faster holds true only for cities with less than a million population; it is in these cities where rapid urban growth is likely to occur in future
- As in other countries, in India also total factor productivity increases with city size.
- Unlike other countries, local government expenditure in large cities is largely met from their internal revenue, thereby limiting their rapid expansion; however, if civic infrastructure is financed from external sources in future the situation may change.
- Attempts to slow or stop urbanisation can succeed only at the cost of slowing down economic growth; also, direct controls on the growth of cities by restrictive licensing of factories in large cities lead to distortions in resource allocation.

The study also makes certain suggestions for future research on urbanisation and urban development in India, such as :

- Understanding the growth process that shifts employment from rural to urban sectors;
- Relationship between urban infrastructure investment and local public service provision;
- Relationship between productivity and city size;
- Efficiency of government programmes in raising incomes, particularly of the lowest income groups; and
- Effectiveness of government programmes to improve productivity of the poorest groups.

The main merit of the book is that it challenges some of the obscurantisms regarding urbanisation in India and throws doubts on the policy premises on which most of India's urban policies are based. Although its treatment of these policies does not cover some of the major issues of urban development in terms of investment rationale or funding methods, the study makes a distinct contribution by clarifying the premises on which these decisions may have to be taken. For too long Indian urban policies have evolved with a negative attitude towards urbanisation; after the Mills and Becker study a stage has been set when urbanisation in India may be seen as an opportunity to direct economic growth into productive and equitable channels among the various urban settlements in the country.

—ABHIJIT DATTA

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